

STATE OF VERMONT



REQUEST FOR PROPOSALS FOR A VERMONT ENERGY EFFICIENCY UTILITY

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FOR A
VERMONT ENERGY EFFICIENCY UTILITY

RFP RELEASED ON: April 27, 2005

PROPOSAL DUE DATE: June 15, 2005 2:00 p.m.

PUBLIC BID OPENING: June 16, 2005, 2:00 p.m.

MANDATORY BIDDER PRESENTATIONS: June 30, 2005

PUBLIC COMMENTS ON PROPOSALS DUE: July 7, 2005

This RFP is issued by:

The State of Vermont
Public Service Board

Proposals must be delivered to:
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I. INTRODUCTION

A. Purpose of This Request for Proposals

In 1999, the State of Vermont Public Service Board ("PSB" or "the Board"), pursuant to 30 V.S.A. §§ 209(d) and (e), established an Energy Efficiency Utility ("EEU") whose purpose is to design, administer, and deliver energy efficiency services to customers throughout Vermont. The EEU is not a legal entity; rather, it operates as an independent contractor, under contract to the Board. The EEU is known by the trade name, Efficiency Vermont, Your Resource for Energy Savings.¹

The Board selected the current entity serving as the EEU through a competitive solicitation in 1999. Consistent with the terms of the 1999 competitive solicitation, the Board's initial contract with the winning bidder covered the period March 1, 2000 - December 31, 2002, and the Board chose to renew this contract for the period January 1, 2003 - December 31, 2005.

The Board issues this Request for Proposals ("RFP") soliciting proposals from entities who are interested in acting as the EEU, and providing the full scope of services described within this document, for the period January 1, 2006 - December 31, 2008, with the Board reserving the option of renewing the contract for the period January 1, 2009 - December 31, 2011.

This document presents the project objectives, terms and conditions, specific deliverables, and the required format to submit a response to the Public Service Board. Potential bidders should read the entire RFP carefully, along with its Appendices in order to gain a clear understanding of the project requirements. Bidders should note that **Section IX** of this RFP includes definitions of commonly-used terms in this RFP.

The Vermont Department of Public Service ("DPS"), in coordination with the Board, has established a section on its website that contains links to a variety of background documents that will supplement the **Appendices** accompanying this RFP. A list of these background documents, along with the exact website address, is included in **Section VIII** of this RFP.

Note: All Appendices referred to herein are NOT included with the RFP mailing. Rather they have been made available on the Board's web site at <http://www.state.vt.us/psb/eeu.html>. Anyone who does not have access to the web site and requires copies of these documents should contact the Public Service Board Clerk's office at (802)828-2358.

1. In this document, the name Efficiency Vermont, Your Resource for Energy Savings is synonymous with EEU and Efficiency Vermont.

B. Overview of Institutional Structure

Potential Bidders will need to understand the roles and responsibilities of a number of significant players in the Vermont regulatory system, and in particular, their relationship to the EEU. The Board, in its September 30, 1999, Order in Docket No. 5980 ("Order"), which is included as **Appendix A** to this RFP, clearly describes the roles of various participants in the delivery of energy efficiency services under the current system.² Bidders are referred to that document for further background information. A brief discussion of the roles of a number of parties follows:

The **Vermont Public Service Board** is a quasi-judicial body responsible for guiding the development of state utility policies that best serve the long-term interest of Vermont utility ratepayers with the goal of the provision of high quality public utility service in Vermont at "the lowest present value life cycle cost, including environmental and economic costs."³ The Board is also responsible for supervising the rates, quality of service and overall financial management of all Vermont utilities. The Board will select the entity to serve as the EEU, which will be under direct contract to the Board pursuant to 30 V.S.A. §§ 209(d) and (e). The Board also selects two additional independent contractors, a Contract Administrator ("CA") and a Fiscal Agent ("FA") (see below for more detail) who assist it with the contract management and fiscal oversight of the EEU.

The Vermont Department of Public Service is an executive branch agency of the State, responsible for energy planning and public advocacy. It appears as the public advocate in proceedings before the Board. It has been involved in the proposal of energy policy, advocacy for energy efficiency programs, and review of the energy efficiency program performance of Vermont utilities. The DPS also conducts ongoing market characterization activities, and provides for formal evaluation of the EEU's services and performance, reviews its proposals for service modifications and new programs or services, and makes recommendations to the Board as appropriate. All of the DPS's EEU evaluation reports available as of 3/1/05 are posted on the DPS's website.

The EEU is an independent contractor under contract to the Public Service Board, responsible for delivering energy efficiency services⁴ statewide. The EEU may deliver these services using its own staff or subcontractors or a combination thereof. The EEU must also provide ongoing redesign and modification of these services and propose new services for possible approval by the Board; the EEU is encouraged to solicit ideas for new services from other entities. The EEU is responsible for gathering and compiling relevant data in order to demonstrate the effectiveness of its service implementation.

2. Note that in this document, the term "Order" by itself always refers to the Board's September 30, 1999, Order in Docket No. 5980. Other Board orders mentioned in this RFP will be clearly identified with the appropriate date and docket number.

3. 30 V.S.A. § 218c.

4. As explained in more detail in **Section II**, the EEU currently delivers energy efficiency *services* (rather than *programs*) to Vermonters throughout the state. The Board does not have a preference for a particular terminology. Bidders should propose to deliver services or programs, whichever they believe will enable them to best acquire energy efficiency savings for Vermonters.

This, and other data, will also be used in service evaluation and service reporting efforts conducted in cooperation with other parties. The EEU must also interact with members of the public and numerous other organizations including State Agencies, the Vermont electric utilities (variously referred to as "electric utilities," "distribution utilities," and "DUs"), the Vermont Legislature, and national, regional, and local energy efficiency organizations.

The EEU Advisory Committee ("Advisory Committee") is an independent body appointed by the Board that acts as a channel of communication between important stakeholders and the EEU. It provides advice but has no authority over the EEU, as stated in ¶ 5.d of the MOU. The Advisory Committee consists of representatives from distribution utilities, consumers, the DPS, and others. A complete list of Advisory Committee members is available on the DPS's website.

The Contract Administrator ("CA") (see MOU ¶ 5.b) is an independent contractor to the Board who assists the Board with the administration of the contract with the EEU. The current CA is Michael Wickenden; his contract with the Board extends through December 31, 2005, and the Board has reserved the opportunity to renew his contract through December 31, 2008. The CA: (1) reviews the EEU's compliance with the terms of its contract with the Board, including the EEU's progress towards meeting the contractual performance indicators; (2) reviews and approves EEU monthly invoices; (3) reviews monthly, quarterly, and annual reports by the EEU and the Fiscal Agent; (4) acts as a mediator regarding disputes and/or complaints about the EEU; (5) reviews and approves Program Implementation Procedures;⁵ (6) helps organize and participate in meetings of the Technical Advisory Group;⁶ and (6) maintains regular communication with the EEU. In addition, the CA will attend EEU selection committee meetings (but will not serve on the selection committee), and will participate in negotiations of the contract with the winning EEU bidder. The CA may conduct site visits, review the files of the EEU, communicate with those interested in the operation of the EEU, and attend meetings of the advisory committee.

The **Fiscal Agent** ("FA") (see MOU ¶ 5.c) is an independent contractor to the Board who assists the Board with the financial management of the EEU program. The current FA is NECA Services, Inc.; its contract with the Board extends through December 31, 2005. The primary responsibility of the FA is to receive funds for the EEU from utilities and to disburse them under direction from the Board. The Fiscal Agent is responsible for keeping accurate accounts of such transactions, and for tracking the funding for the EEU, but does not have the authority to bind the discretionary authority of the Board. The FA reports directly to the Board and provides the Board with monthly and annual financial statements and accounting reports.

5. Program Implementation Procedures are reports produced by the EEU that codify current practices or detail new practices or substantive changes in the implementation of energy efficiency services and initiatives. All Program Implementation Procedures as of 3/1/05 are available on the DPS's website.

6. The Technical Advisory Group includes members of the EEU and the DPS and focuses on reviewing and approving the methodology and associated assumptions underlying measure savings calculations that are included in the Technical Reference Manual (see **Section III.D.1** for more information about the Technical Reference Manual).

C. Project History/Background

The Board's April 16, 1990, Order in Docket No. 5270 required Vermont electric and gas utilities to meet the energy needs of their customers through "Least Cost Integrated Planning." That Order required utilities to design and deliver a set of comprehensive, cost-effective energy efficiency programs to their customers.⁷ In 1991 the Vermont legislature added Section 218c to Title 30 of V.S.A., formally establishing in statute what the Board had required in its Order.

In 1999, the Vermont legislature authorized the Board to ". . . provide for the development, implementation, and monitoring of gas and electric energy efficiency and conservation programs and measures, including programs and measures delivered in multiple service territories, by one or more entities appointed by the board for these purposes." (30 V.S.A. § 209 (d) (2)). The Board was further authorized to ". . . specify that the implementation of these programs and measures satisfy a utility's corresponding obligations, in whole or in part, under section 218c . . ." of Title 30 and prior Board orders. Finally, the Board was authorized to ". . . establish by order or rule a volumetric charge to customers for the support of energy efficiency programs . . ." that meet the requirements of Section 218c of Title 30 (30 V.S.A. § 209 (d) (3)).

The State of Vermont has 21 electric distribution utilities, one of the highest ratios of utilities to customers in the nation. The complexity of such a large number of utilities providing energy efficiency services in their separate service territories often led to confusing, costly, and sometimes conflicting DSM program design and delivery, resulting in a higher overall cost to consumers and lowered benefits.

In April 1999, the Department of Public Service and Vermont's electric utilities agreed to consolidate the provision of these program services. This agreement, the *Memorandum of Understanding* or "MOU," in Docket No. 5980, is included as **Appendix B** to this RFP and will provide bidders with substantial information regarding the establishment of the EEU, its expected responsibilities, and its relationships with the Public Service Board, the DPS and Vermont electric utilities.

All provisions of the MOU remain in effect, except for four items subsequently modified by the Board.⁸ In findings 34 and 35 of the Board's October 31, 2002, Order in Docket 6741 (attached as **Appendix C, Item 1**), the Board modified the filing date for the EEU's Annual Plan and the requirements for a request by the EEU for carryover of any unspent funds. How unspent funds should be calculated was clarified in a January 30, 2004, letter from the Board to the current contractor (attached as **Appendix C, Item 2**). In a January 27, 2004, memorandum to interested persons, the Board changed the structure of the C&I Customer Credit Program (this memorandum and its attachment are included as **Appendix C, Items 3-4**).

7. A copy of the Board's April 16, 1990, Order in Docket No. 5270 is available on the Board's website.

8. In addition, as anticipated in the MOU, the Board has approved modifications to the Core Programs. These changes are discussed in **Section II**, below.

Bidders should also be aware that the Board has authorized the City of Burlington Electric Department ("BED") to deliver most of the EEU services in its service territory and bidders may assume that this arrangement will continue throughout the term of the contract.⁹ Because BED and Efficiency Vermont are delivering the same energy efficiency services to different customers, there is a need for close coordination between the two entities. Historically, BED and the EEU have developed a coordination agreement that describes which tasks will be performed by which entities, and includes a mechanism for fair exchange of compensation for EEU services between BED and Efficiency Vermont. The most recent coordination agreement is attached as **Appendix D**.

D. Mandatory Requirements

Mandatory Requirements are explicitly stated within this RFP. Bidders should consider the following general mandatory requirements prior to deciding to respond to this RFP.

- The EEU **must** be an organization independent of any Vermont gas or electric utility,¹⁰ or another agency of the State of Vermont, or any entity providing power to Vermont's distribution utilities.
- The Contract resulting from this Request for Proposals will adhere to the State of Vermont's Contracting Procedures, Bulletin 3.5 included as **Appendix E** except that, due to the size of the EEU budget and the potential liabilities surrounding the project services, the Board is requiring the selected bidder to provide additional general liability insurance coverage to that specified in Bulletin 3.5. This general liability insurance coverage must not exclude professional judgment. Upon the completion of contract execution with the Board, the bidder must acquire this insurance coverage in the amount of **\$5,000,000.00** and must provide a copy of its insurance certificate to the State (see also **Section V.J**).
- The Energy Efficiency Utility must be prepared to act in an independent capacity and not as officers or employees of the state. The EEU shall be prepared to indemnify, defend and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Contractor's acts and/or omissions in the performance of its duties.
- The Energy Efficiency Utility must agree to contract with the State of Vermont for a period of three years, from January 1, 2006, through December 31, 2008.

9. The Board's decision was made following the process outlined in the Bilateral Agreement Between the DPS and BED that is attached to the Board's September 30, 1999, Order in Docket 5980. Bidders should be aware that this decision means that BED does not need to follow the process described in Paragraph 6 of the MOU, which would require BED to submit a proposal to deliver EEU services to the EEU, and would require the EEU to determine whether to accept the proposal.

10. (MOU, Page 4, ¶ 5.c)

E. Performance Contract

Bidders should be aware that the winning bidder's contract with the Board will be performance-based. That is, the contract will contain tightly-specified indicators of performance designed to reflect and weight the multiple policy, resource acquisition and market transformation objectives of the State. How well the contractor performs with respect to these targets will determine how much it earns of a performance award set aside as an incentive for superior performance, payable at the end of the contract period.¹¹

Note: Bidders' proposals must clearly indicate the total amount of their proposed performance award.

F. Relationship of the EEU to the Board

In order to preserve the Board's quasi-judicial role, the Board and Board staff will not communicate privately with the EEU¹². Rather, the EEU will be expected to abide by *ex parte* requirements.¹³ Copies of any reports or other communications from the EEU to the Board or vice versa (other than administrative matters concerning the EEU's own contract with the Board) shall be available to the public upon request. Discussions that are administrative in nature, and not related to pending contested case proceedings or issues or disputes expected to be contested before the Board, will not be subject to the *ex parte* restriction.

This relationship between the EEU and the Board and its staff will preserve the Board's autonomy to resolve disputes that may arise in the future over the provision of energy efficiency services in the state, such as disagreement over the types of programs to offer and the calculation of avoided costs used in program screening.

G. Appearance of the EEU in Board Proceedings

Bidders should be aware that, to avoid any conflicts of interest, the winning bidder will not be allowed to intervene in any Board proceedings that directly relate to the EEU's operation. With the permission of the Contract Administrator, the winning bidder will be allowed to participate as a party, or provide expert testimony on behalf of other parties, in Board proceedings not directly related to the EEU's operation.

11. For informational purposes, the performance-based mechanism in the Board's current contract with the contractor serving as the EEU is included as Attachment K of **Appendix F**.

12. This restriction does not apply to communication between the EEU and the Contract Administrator.

13. The issue of which side of the *ex parte* "wall" a Board-appointed entity should be on is of particular concern in cases where it is likely that the Board will find itself performing its traditional quasi-judicial role of deciding contested matters. Since the MOU envisions such proceedings, the Board must preserve its role here. For precedent, see Docket Nos. 5841/5859, Order of 6/8/99.

However, the EEU may be required by the Board (on its own initiative, or at the request of a party) to provide expert testimony in Board proceedings, although such testimony is expected to be required infrequently, if at all.

H. Legislative Testimony by the EEU

The EEU may be asked to provide legislative testimony as the EEU; the winning bidder may also be asked to provide legislative testimony in its capacity as a company separate from the EEU. Bidders should expect that the Board's contract with the EEU will include guidelines regarding the provision of legislative testimony to prevent confusion regarding whether legislative testimony is being presented on behalf of the EEU or the winning bidder as an independent company.

I. Position of the EEU in Future Electricity Sales in Vermont

Vermont does not yet have choice in retail electric service providers across the state. The question arises as to whether the EEU should be prohibited from engaging in the provision of retail electric energy sales in Vermont should retail access occur at some future date. The Board believes that there has long been an inherent tension between the desire for retail electric energy providers to maximize sales of their product, and the state policy objective of maximizing energy efficiency. Thus, the Board will require that neither the EEU, nor any affiliate(s) with which it shares personnel, space, revenues, or Vermont-market information, may provide retail sale of electric energy in the State of Vermont during its term as EEU, or for a period of one year after the term of the EEU's contract expires or is canceled.

Structurally separate affiliates that share none of the characteristics noted above will not be subject to this *per se* prohibition; however, bidders' assurances of separation from such affiliates will be a significant factor in evaluations, and commitments to avoid such future relationships will be a significant positive factor in the evaluation process.

II. ENERGY EFFICIENCY MARKET INITIATIVES AND SERVICES DESCRIPTIONS

This section provides prospective bidders with relevant background information and a brief description of the Core efficiency markets that the EEU will be required to serve. Bidders are encouraged to describe innovative program designs and/or market intervention strategies in their proposals. Such strategies may include issuing competitive solicitations for additional program design and implementation ideas. However, proposals must explain how bidders will address each of the following seven broad markets: (1) residential lost-opportunity; (2) commercial and industrial lost-opportunity; (3) low-income; (4) farm; (5) retail products; (6) residential emerging markets; and (7) commercial and industrial emerging markets.

Information on how these Core markets have been addressed in the past, and are currently being addressed, is provided below. This information is intended to help bidders understand how statewide energy efficiency programs have been implemented in Vermont. It is not intended to imply that this is the only acceptable set of energy efficiency services for serving the Core markets. On the contrary, the Board encourages bidders to propose whatever programs and mechanisms for serving customers they believe will provide the most benefits to Vermonters, as long as all Core markets continue to be served. This may be a set of programs that is similar to those currently being delivered, or it may be a set of programs that is significantly different.

However, if significant program or initiative changes from Efficiency Vermont's 2005 offerings are recommended, proposals should contain a general description of planned transitional activities. Bidders should be aware that the winning bidder will be required to develop a detailed transition plan that includes ways to minimize confusion regarding the program changes among customers, trade allies, design professionals, engineers, and other key market actors.

Respondents must clearly define and describe the specific program and market segments they expect to address in their proposed portfolio of core energy efficiency program services. Proposals should describe important market sub-sectors, market actors, and methods to leverage participant and third party financial resources and specific market barriers to cost-effective energy efficiency investment. Specific market intervention objectives, strategies and program theories will need to demonstrate how the core program services will address the targeted markets, market sectors and key market actors.

A. Initial Core Programs

Initially, there were seven statewide core programs approved in the Board's September 30, 1999, Order in Docket No. 5980:

- Commercial and Industrial Market Opportunities;
- Commercial and Industrial New Construction;
- Dairy Farm Program;
- Residential New Construction;

- Residential Low-Income;
- Efficient Products Program; and
- Emerging Market Initiatives.

The following summary descriptions of these core programs are taken from the Board's Order, found in **Appendix A**. A more complete description of these programs is provided in *The Power to Save: A Plan to Transform Vermont's Energy-Efficiency Markets* ("the Plan") which is available on the DPS's website.

1. Commercial and Industrial Market Opportunities

The Commercial and Industrial Market Opportunities Program assisted eligible customers in making efficient choices when replacing equipment or when remodeling those times when the cost of efficiency is lowest and the magnitude of the opportunity is greatest. It used planned customer investments to leverage additional investment in related efficiency measures. The program employed a combination of detailed design and technical assistance, commissioning of customized efficiency projects, financial incentives delivered both to the end-use customers and to the suppliers of equipment services, and strategies to coordinate with regional and national market transformation initiatives. The program aimed to ensure that commercial and industrial ("C&I") customers did not forego opportunities to capture the cost-effective savings that would be yielded by incremental investment in new, higher efficiency equipment and business systems.

Bidders should also be aware of the C&I Customer Credit Program, which is discussed in more detail in **Section III.D.8**, below. The most recent description of this Program accompanied a Public Service Board January 27, 2004, memo re: Modifications to C&I Customer Credit Program of the EEU. This memo and its attachment are included with this RFP as **Appendix C, Items 2-3**.

2. Commercial and Industrial New Construction

The Commercial and Industrial New Construction Program offered eligible customers a package of technical assistance, financial incentives, inspections, and efficiency commissioning services aimed at achieving cost-effective savings in new construction and major renovations. The program included two program tracks, one for customers engaged in Act 250 permit processes and one for all other customers. The program sought to ensure that commercial and industrial customers did not lose the opportunities to acquire savings provided by incremental investments during new construction, investments that in the absence of the program would not be made.

3. Dairy Farm Program

The Dairy Farm Program expanded the successful dairy farm program that had been run by a number of Vermont utilities. The program offered dairy farms a comprehensive package of services including technical assistance, efficiency cost subsidies, and low interest loans. The program aimed not only at capturing savings opportunities when new equipment investments were made, but also at finding cost-effective efficiency retrofit opportunities where no such expenditures would otherwise have been made. The program targeted primarily those dairy farms that have not already participated in the earlier utility-sponsored programs. As planned, the Dairy Farm Program ceased to exist as a stand-alone program at the end of 2001; at that time, farms began to be served through the two Commercial and

Industrial programs.

4. Residential New Construction

The Residential New Construction Program introduced high-efficiency technologies and building practices into Vermont. To transform the market in this way, the program used a combination of cash incentives, home energy ratings, technical assistance, education, direct installation of energy efficiency measures, energy efficient mortgages, and partnerships with public and private construction trade allies. These initiatives were coordinated with efforts to adopt and update statewide energy building codes.

The program:

- Created consumer demand for advanced, energy efficient homes;
- Encouraged the adoption of building practices that improved the efficiency of homes;
- Secured high levels of compliance with the minimum standards embodied in the Vermont Residential Building Efficiency Standards law; and
- Created a business environment that supports this market transformation.

5. Residential Low-Income

The Residential Low-Income Program offered services targeted to single-family low-income homeowners and renters, and to building owners, managers, and occupants of low-income multi-family buildings (those with five or more housing units). The single-family component was a coordinated program that built on the state's weatherization assistance program; it offered additional measures and services where cost-effective. The multi-family component provided a "one-stop shopping" package of services, including technical analysis, financial assistance, performance contracting arrangements, contractor and construction management, direct installation of measures, and coordination of bulk purchases of efficient equipment.

6. Efficient Products Program

The Efficient Products Program aimed to transform both the mix of products in the lighting and appliance markets and the decisions that consumers make when purchasing such goods. This effort involved a combination of incentive payments, aggressive marketing, trade-ally cooperation, and coordination with other regional and national efforts. Work focused on high-efficiency residential lighting products, refrigerators, room air conditioners, and clothes washers. The program also made maximum use of opportunities to coordinate with and enhance regional and national market transformation initiatives.

7. Emerging Market Initiatives

The Emerging Markets Initiatives Program enabled the EEU to develop and implement flexible strategies to promote overall market acceptance of high-efficiency products and services. The program pursued cost-effective efficiency savings from markets or technologies that were not being fully served by the other core programs, the distribution utilities (through their distributed utility planning ("DUP") responsibilities), or the competitive energy services industry. By way of example, the Plan identified three strategies:

- A Targeted Markets Initiative that offered special DSM services to those market segments

where intractable barriers or substantial untapped savings exist;

- An Innovative Projects Initiative that accelerated the pace of sales of new and emerging technologies, equipment, systems or practices; and
- A DSM Bidding Initiative that encouraged submission to the EEU of unsolicited bids for cost-effective energy efficiency from customers, energy service providers, trade allies, and others.

B. 2003 Energy Efficiency Service Reorganization

Effective in January 2003, Efficiency Vermont reorganized and renamed the core market energy efficiency services and initiatives as follows:

Business Sector

1. Business New Construction
2. Business Existing Facilities
3. Customer Credit
4. Commercial and Industrial Emerging Markets

Residential Sector

1. Residential New Construction
2. Residential Existing Buildings
3. Energy Efficient Products
4. Residential Emerging Markets

The nomenclature was changed to better reflect the organization of activities based on serving customer markets with "services" rather than offering "programs." For a more detailed discussion of the change, bidders are encouraged to review Efficiency Vermont's 2003 Annual Plan, which is included as **Appendix G, Item 1.**

For Customer Credit, Residential New Construction, and Energy Efficient Products, no major changes were initiated in the market served or scope of services.

The Business New Construction service was comprised of services previously provided under the new construction component of the 2002 Commercial Energy Opportunities program, the new construction component of the 2002 Low-Income Multifamily program, and the multifamily services of the 2002 Residential New Construction program.

The newly-defined Business Existing Facilities service provided the equipment replacement component of the 2002 Commercial Energy Opportunities program, the Large Commercial Retrofit component of the 2002 Commercial and Industrial Emerging Markets program, and the retrofit, renovation and equipment replacement services provided under the 2002 Low Income Multifamily program and for

other multifamily rental properties operated under a business model. Services for low-income multifamily housing continued to be tailored to overcome the barriers to participation in this market sector and continued to be tracked separately.

The newly-defined Residential Existing Buildings service provided the Targeted High Use component of the 2002 Residential Emerging Markets Initiatives and the services provided under the 2002 Low Income Single Family program. Services for low-income participants continued to be tailored to overcome the special barriers to participation in this market sector and continued to be tracked separately.

The Commercial and Industrial Emerging Markets and Residential Emerging Markets initiatives no longer included delivery of the retrofit services specified in the Existing Facilities initiatives describe above, but continued to include a range of research, development, demonstration and other activities including those based on new technologies, new service delivery concepts, and potential niche market services.

C. 2004 and 2005 Energy Efficiency Services and Initiatives

In 2004 and 2005, Efficiency Vermont continued to address all the core markets identified in the Order and the MOU. The reorganized categories under which these markets were served were similar, but not identical, to those instituted in 2003. The 2004 and 2005 categories were as follows:

2004 and 2005 Business Sector Services and Initiatives

1. Business New Construction
2. Business Existing Facilities
3. Business Targeted Markets
4. Customer Credit Program

2004 and 2005 Residential Sector Services and Initiatives

1. Retail Efficient Products
2. Residential New Construction
3. Residential Existing Buildings

The only change from 2003 in this organizational configuration was that beginning in 2004, the developmental initiatives that had been carried out under the categories "Residential Emerging Market Initiatives" and "Business Emerging Market Initiatives" were integrated into the market categories listed above.¹⁴

Efficiency Vermont's 2005 Annual Plan provides more information on the energy efficiency services currently provided by the EEU. As can be seen from the list of services and initiatives shown below,

14. Efficiency Vermont's 2004 Annual Plan is included as **Appendix G, Item 2.**

Efficiency Vermont explicitly recognizes the cohesive characteristics of certain submarkets (e.g., ski area, schools, state buildings) as they cut across traditional market segmentation (e.g., new versus existing buildings).

1. Retail Efficient Products
2. Business New Construction
3. Residential New Construction
4. Existing Businesses
5. Existing Homes
6. Dairy Farms
7. Strategic Partners
8. Schools
9. Multifamily Buildings
10. State Buildings
11. Water and Wastewater Treatment Facilities
12. Ski Areas
13. Customer Credit
14. Better Buildings by Design Conference
15. Regional and National Partnerships
16. General Customer Service and Support

Bidders are encouraged to read the detailed description of each of the above in Efficiency Vermont's 2005 Annual Plan, which is attached as **Appendix G, Item 3**.

III. SCOPE OF SERVICES

A. Mission and Objectives

The Energy Efficiency Utility's primary responsibility will be the administration, implementation, and ongoing development of energy efficiency services to the markets addressed by Efficiency Vermont's 2005 services and initiatives, originally captured by the seven statewide Core programs. The following sections provide the project objectives and define the scope of the EEU's responsibilities, services, and business functions.

The Board's goals for statewide Core programs and the EEU include: (1) achieving the maximum magnitude of societal net benefits while acquiring comprehensive cost-effective electric efficiency savings; (2) responding appropriately to markets in order to increase the level of and comprehensiveness of energy efficiency services to Vermonters; (3) effectively capturing potential "lost opportunity" markets; and (4) striving for distributional equity across customer classes and geographic regions.

Bid proposals **must** include specific and measurable objectives. The Board expects proposals to include MWh savings and summer and winter coincident peak MW savings objectives, as well as objectives for other goals. This information should be integrated with the bidders' proposals as detailed in **Section V.B.** For specific guidance, see **Sections V.B.1 and V.B.2**, below.

The EEU should approach the delivery of energy efficiency services with innovative and effective strategies to accelerate energy savings, maximize program integration efforts, and promote market transformation. The EEU should develop and maintain reliable administrative and monitoring procedures that will allow evaluation of the effectiveness of its efforts, provide a basis for program modification, and document its accomplishments. The successful bidder will possess both a proven capability to deliver energy efficiency services efficiently and effectively (via in-house staff, subcontractors, or a combination of both), and a demonstrated capacity to design and implement innovative approaches to securing energy efficiency improvements.

In 30 V.S.A. § 209(e), the Vermont legislature provides several objectives that underlie the specific scope of services outlined in this section of the RFP. Each of these objectives is discussed in the Board's September 30, 1999, Order in Docket No. 5980 (attached as **Appendix A**).

The MOU also provides considerable guidance to potential bidders. All provisions of the MOU not subsequently modified by the Board remain in effect, and are binding on the EEU. However, the MOU specifically provided that the design of the programs delivered by the EEU could change over time, and the services offered by the EEU have, in fact, changed. As explained in **Section II**, above, the Board will not require the next EEU contractor to deliver the Core Program designs as set out in the Plan. Rather, the Board expects bidders to propose the best way to deliver energy efficiency services to the markets that were targeted to be served by the Core Programs. If bidders propose services that are significantly different than those currently being provided, bidders must provide detailed descriptions of planned transitional activities.

Thus, the Board seeks a contractor to become the Energy Efficiency Utility that will live up to both the legislative intent and the terms of the Memorandum of Understanding while approaching its program objectives with the dedication, innovation and creativity necessary to achieve the broad program goals.

B. Organization of This Section

The functions to be performed by the EEU are grouped into three major tasks, outlined here, and then detailed in **Section III**, below.

- **General Administration**
 1. **Budgeting**
 2. **Financial Management**
 3. **Contract Management**
 4. **Dispute Resolution**
 5. **Information Technology, Data Collection and Management**
 6. **Required Reports**
- **Service Planning, Operations and Implementation**
- **Transition**

C. General Administration

As an independent organization, the EEU is responsible for the development and monitoring of its own management and operational systems. This includes: (1) budgeting; (2) financial management; (3) contract management; (4) dispute resolution; (5) information technology, data collection and management; and (6) preparation and submission of required reports.

1. Budgeting

The EEU must develop, monitor and manage the overall three-year budget for its operation, within certain broad parameters established by the Board that will be embodied in the Board's contract with the EEU contractor. These broad parameters are likely to include fund shifting limitations between residential and business energy efficiency services, and may include other spending requirements to address equity considerations. These parameters are likely to apply to the three-year budget as a whole, not to each estimated annual component of the three-year budget.

At the start of operations, a detailed budget (shown on an estimated annual and three-year basis) must be developed and provided to the Board, the DPS, the CA, the FA, and the EEU Advisory Committee.¹⁵ This detailed budget must be divided into the following areas: (1) general administration; (2) information technology ("IT") development and maintenance; (3) energy efficiency service delivery

15. We recognize that, as a result of contract negotiations, this budget may differ somewhat from that submitted as part of bidders' responses to this RFP.

and monitoring, divided into residential and business sectors;¹⁶ and (4) costs related to the transition from the current EEU contractor to the new one (this area applies to the transition period only).

Even though the Board anticipates granting the EEU considerable discretion to manage its budget on a three-year basis, as part of the EEU's Annual Plan (which is described in **Section III.D.1**, of this RFP), the EEU must submit a revised estimated annual budget, showing the expected budget for each energy efficiency service area, for the following calendar year to the Board, the DPS, the Fiscal Agent, the EEU Advisory Committee and each distribution utility.¹⁷ The EEU should also include its proposed treatment of unspent budget amounts consistent with Paragraph 19 of the MOU, as modified by finding 35 of the Board's October 31, 2002, Order in Docket 6741 and the Board's January 30, 2004, letter to the current contractor.

2. Financial Management

The EEU must develop, implement and maintain the necessary budgeting, invoicing, expenditure approval, payroll, and financial accounting systems to review, approve, and track budgets, invoices and payments to subcontractors, program implementers, employees, and, in some cases, customers. It must maintain financial and accounting records consistent with **Section III.C.5** of this RFP and with general accounting standards. The EEU shall provide information and documentation required for independent audits, which the EEU shall have performed on an annual basis.

Consistent with the specific terms of its contract with the Board, the EEU must prepare and submit detailed documentation and invoices for administrative, management, and program costs to the Contract Administrator for review in order to receive payment. All invoicing data along with proper supporting documentation must be kept by the EEU and made available to the Board, the Contract Administrator, the Fiscal Agent and the DPS upon request.

Bidders should be aware that the winning contractor's invoices will be paid from collections via a volumetric wires charge. These collections vary from month to month, and from season to season as electric consumption varies. Collections do not always match the contractor's expenses. Approved invoices will be paid in full, provided funds are available. However, if the contractor's spending is ahead of wires charge collections, the contractor will need to finance the difference until collections are sufficient to pay the backlog. In addition, invoices lag the contractor's monthly expenditures. For both these reasons, it will be important for contractors to have access to working capital. Bidders may expect to recover reasonably-incurred carrying costs associated with EEU services as part of the total budget shown on **Appendix J**.

16. While we expect the EEU to use two customer classes for budgeting purposes (residential and business), we expect the EEU to be able to report energy savings, capacity savings, and other benefits of its services by three distinct customer classes – residential, commercial, and industrial.

17. Most required reports will not be sent to each of the state's distribution utilities. However, the Annual Plan is an exception and all DUs must receive copies of this report.

Note: Bidders' proposals must detail the tools and mechanisms they will employ to satisfy the financial management requirements.

3. Contract Management

The EEU will solicit, hire and/or contract with all necessary staff and contractors to perform effectively the scope of services outlined in this RFP.

The EEU must maintain the administrative capability to manage these resources and ensure the completion of each task and sub-task effectively. The EEU must develop and implement procedures to assign, monitor, review, and approve completed work, and to ensure contractors are compensated in a timely manner.

4. Dispute Resolution

In conjunction with the Contract Administrator, and the Director of the Consumer Affairs and Public Information Division at the DPS, the EEU will develop protocols according to which it will deal with complaints concerning performance of its responsibilities from customers and stakeholders such as electric utilities, subcontractors, trade allies and participants in the C&I Customer Credit program.¹⁸ The protocols must include notification to customers and stakeholders of their right to appeal to the Contract Administrator and, if they are still unsatisfied with the proposed outcome, their right to petition the Board for relief.

The EEU will participate fully, promptly, and in good faith in these dispute resolution processes which are consistent with the terms of Paragraph 5.b.ii. of the MOU.

5. Information Technology, Data Collection and Management

The EEU will develop and maintain an information management system that at a minimum is capable of the reporting and monitoring tasks detailed in **Section III** of this RFP.

Data will be the property of the State of Vermont and must be kept in a relational database format and be organized in such a way that a third party could easily utilize necessary information for performing assessment tasks. Information in this system should include, but not be limited to, tracking data on participating customers, trade allies, and program services, and general program operation, financial and management data. In addition, the system should have the ability to produce *ad hoc* reports for periodic information requests from the PSB, the DPS, the Contract Administrator, and the Fiscal Agent.

The types of CPUs, storage peripherals, communication devices, network equipment, software, printers and any other products necessary for the EEU data processing system are to be chosen by the bidder, must have the capabilities to perform the necessary tasks set forth in this section of the RFP, and must be configured so that additional elements can be added without undue hardship, cost or difficulty.

18. For further information about the C&I Customer Credit Program, see **Section III.D.8**.

In the future, the Board may request that the EEU collect and maintain additional specific data elements for the purposes of reporting and evaluation. In the event the EEU is required to significantly expand its data processing system, the IT budget component may be adjusted accordingly. The EEU will be held to the minimum specifications detailed in its initial proposal.

a. Managing Customer-Specific and Competitively Sensitive Information

The EEU must develop and maintain systems that provide appropriate protections in the collection, processing, storage and retrieval of information that is customer-specific or could provide an unfair competitive advantage to an entity delivering services outside of the energy efficiency programs approved by the Board for EEU implementation. The EEU will be responsible for managing such systems and, when appropriate, providing the information to its employees, subcontractors, regulators, and distribution utilities. Accordingly, the EEU must develop and maintain a process with clearly defined standards and safeguards to govern sharing of that information with subcontractors, DPS staff, and distribution utilities to ensure customer confidentiality is maintained and entities are not provided an unfair competitive advantage.

b. Program Data Collection

The EEU must collect and electronically compile data needed to monitor, assess, and evaluate its program performance, to report on its activities, and to improve the design and delivery of the core programs. Data from both subcontractors and employees should be collected and stored electronically in a consistent format in the following categories:

- Customer/Client Data;¹⁹
- Customer Usage Data;
- Program Measures and Services Data;
- Trade Ally Data;
- Distribution Utility Account Data;
- Baseline and Market Indicator Data; and
- Other Data for Evaluation Purposes.

In addition, as discussed in **Section III.C.5**, the EEU will collect customer-specific data from the distribution utilities.

c. Administrative and Financial Data

The EEU should keep records of administrative and financial data consistent with the needs outlined in the scope of services section of this RFP and with Generally Accepted Accounting Principles ("GAAP") as defined by both the Governmental Accounting Standards Board and the Financial Accounting Standards Board. This includes systems to track general project management, invoicing, payroll and subcontractor payments, and to produce the necessary reports for monitoring these duties.

¹⁹. Including data on potential customers/clients that contact, or are contacted by, the EEU individually but not actually served.

6. Required Reports

The EEU will prepare and submit Monthly, Quarterly, and Annual Reports. The contents of these reports as well as the entities who are to receive each of them are detailed below. Standard formats have been developed for each report that satisfy the needs of all appropriate entities (see **Appendix H, Items 1-5**). These standard formats were designed so the reports build on each other in order to further minimize the administrative burden on the EEU, (*e.g.*, financial comparisons shall have a similar format in the Monthly, Quarterly, and Annual Reports). Monthly Reports are easily expanded into Quarterly and Annual Reports through the addition of more comprehensive information. The customized software described in **Section IV.A**, below, facilitates the production of these reports, and will be available to the next EEU contractor at no charge.

The EEU will respond promptly and participate fully in the review of all Monthly, Quarterly and Annual Reports submitted to the Board or its Contractors.

a. Monthly Reports

The EEU will prepare and submit Monthly Reports to the Board, the Contract Administrator, the Fiscal Agent, the DPS and the EEU Advisory Committee. These reports must include: (1) actual expenditures for administrative, information technology, and service delivery costs compared to the budget amounts; and (2) MWh savings estimates. Monthly Reports include numerical data that document progress toward achieving the EEU's overall savings targets, and are considered to be activity monitoring reports. An example of a Monthly Report is attached (**Appendix H, Items 1**).

b. Quarterly Reports

The EEU will prepare and submit Quarterly Reports to the Board, the Contract Administrator, the Fiscal Agent, the DPS, and the EEU Advisory Committee. Quarterly Reports must include: (1) actual expenditures for administrative, information technology, and service delivery costs compared to the annual component of the approved three-year budgets; (2) committed customer incentive payments as evidenced by a signed incentive contract that specifies that a future incentive payment will be made to an EEU customer for energy efficiency measures; (3) report of progress made towards achieving savings targets, and other agreed-upon indicators of performance; (4) a summary of activity highlights for the quarter; and (5) a summary of any significant changes or anticipated changes in implementation strategies and services. An example of a Quarterly Report is attached (**Appendix H, Items 2**).

c. Annual Reports

The EEU will prepare and submit Annual Reports to the Board, the Contract Administrator, the Fiscal Agent, the DPS, the EEU Advisory Committee, and all distribution utilities.²⁰ Annual Reports must include: (1) actual expenditures for administrative, information technology, and service delivery costs, compared to the annual component of the approved three-year budget; (2) committed customer incentive payments as evidenced by a signed incentive contract that specifies that a future incentive payment will

20. Most required reports will not be sent to each of the state's distribution utilities. However, the Annual Reports are an exception and all DUs must receive copies of these reports.

be made to an EEU customer for energy efficiency measures; (3) a summary of progress and highlights for the year, including any significant changes in strategies or services and indirect savings acquisition activities; (4) report of progress toward achieving savings targets, and other agreed-upon indicators of performance; and (5) the annual savings claim, with adequate supporting data to meet the requirements of the Board for verification by the DPS. An example of an Annual Report is attached (**Appendix H, Items 3**).

d. Occasional Reports to Distribution Utilities

The EEU will provide information to individual distribution utilities for planning and ratemaking purposes consistent with ¶¶ 9 and 39 of the MOU.²¹

On a quarterly basis, the EEU will provide each distribution utility with a list of active and completed large projects in its service territory. A template for this list is attached as **Appendix H, Item 4**.

In April and September of each year, the EEU will provide each distribution utility with detailed information for distributed utility planning purposes. The distribution utilities have agreed to a common format for this data; see **Appendix H, Item 5** for a spreadsheet showing the data categories to be included in this report.

Note that ¶ 39 of the MOU states: "The information to be provided under this paragraph shall be limited to information created or maintained by the EEU in the ordinary course of business. This paragraph does not create an obligation of the EEU to create information specifically for a DU."

e. Information Requests

The EEU will respond in a timely and complete manner to any information requests regarding program budgets, expenditures, savings, and activities submitted by the PSB, the Contract Administrator, the Fiscal Agent, the DPS, and to reasonable requests from any member of the EEU Advisory Committee.

D. Service Planning, Operations and Implementation

The EEU will be required to manage, oversee and implement energy efficiency services to the markets addressed by the Core programs (detailed in **Section II** of this RFP) directly or through subcontractors as it chooses. Important aspects of delivering these services include: (1) ensuring consistent and effective service designs; (2) using creative and effective marketing strategies; and (3) providing accessible and widespread program delivery. The EEU must develop methods to ensure that the services and initiatives are meeting their adopted objectives, and that EEU funds are being spent effectively.²²

Note: Bidders' proposals must detail their program operations and implementation strategies.

21. This section describes the current reporting requirements to distribution utilities. It is possible that there may be small variations in the content and/or frequency of the reports to distribution utilities during the new contract period.

22. Bidders must be aware of ¶¶ 19 and 45 of the MOU, which address the equity of distribution of EEU program services geographically and by customer class.

1. Planning of Service Offerings

The EEU will have primary responsibility for the development and revision of service offerings, including discontinuing existing services and offering new services, when appropriate. On a periodic basis the EEU will review the services offered and their effectiveness for the purpose of improving and modifying service designs. The EEU will have broad discretion to design service offerings, provided all markets served by the Core programs continue to be served, and the EEU is making appropriate progress towards achieving its performance goals, as specified in its contract with the Board.

The Board is aware that other states have used competitive solicitations to obtain innovative program ideas, and is interested in learning how well such an approach might work in Vermont. As a result, bidders are encouraged to propose using a portion of the budget for the EEU contractor to conduct such a competitive solicitation, and to implement the winning idea(s). The Board is not requiring that a certain amount be set aside for a competitive solicitation. Instead, the Board gives bidders discretion regarding how much of the EEU's total three-year budget they would like to spend on programs resulting from competitive solicitation(s). The Board recognizes that there is a continuum ranging from no spending on such programs, to limited spending on what are essentially "pilot programs", to significant spending on a variety of programs, to spending only on programs that win competitive solicitations. The Board does not have a preference regarding the amount of money (if any) that is set aside to implement the programs selected via competitive solicitations. Rather, the Board expects bidders to propose using competitive solicitations to the extent that bidders believe they will provide the most benefits to Vermonters.

a. Annual Plan

Each year, the EEU will prepare and submit an Annual Plan to the Board, the Contract Administrator, the DPS, the EEU Advisory Committee, and the distribution utilities. The Annual Plan will summarize the EEU's market intervention strategies, service offerings, emerging markets initiatives, and other planned implementation activities (including competitive solicitations, if any) for the coming year. These components should be presented as part of an integrated strategy for each of the two primary market sectors: Business and Residential.

In developing each year's Annual Plan, the EEU should consult with the DPS and the EEU Advisory Committee. It should also make full use of the following information: (1) reports from the EEU market assessment and evaluation activities undertaken by the DPS; (2) the EEU's formal Quality Assurance system (including participant satisfaction/feedback records); (3) feedback from subcontractors; (4) ongoing, informal feedback from individual participants; (5) ongoing solicited and unsolicited input from business, professional and trade associations, trade allies, and other groups that the EEU interacts with over the year; and (6) the EEU's knowledge of regional and national information regarding energy efficiency technologies and opportunities, program experience and evaluation results.

b. Cost-Effectiveness Screening

The EEU must assess the cost-effectiveness of efficiency measures and programs for both program design and delivery purposes according to the Societal Test as described by the Board in its April 16, 1990, Order in Docket No. 5270 (included on the Board's website). The EEU is required to use the statewide cost-effectiveness screening tools provided by the DPS in its planning and implementation

activities.

Note: The current DPS screening tool is available on the DPS's website. This tool will be available for immediate use by the EEU.

The EEU will not be responsible for the development, maintenance, distribution or support of statewide cost-effectiveness screening tools other than for the EEU's own use.

The MOU at ¶¶ 49-52 defines the avoided cost methodology and numbers the EEU will use in measure and program screening. The EEU must also incorporate into its screening tools any new avoided costs approved by the Board under the process described in ¶ 11 of the MOU, and any revised risk or externality adjustments ordered or approved by the Board for use in system-wide programs.

Bidders should be aware that the DPS is currently participating in a regional avoided cost study that is expected to be completed by the end of August 2005. It is possible that, as a result of this study, the DPS will recommend that the Board adopt revised avoided costs. If the Board does approve new avoided costs at any time after a winning bidder is selected, the winning bidder may need to re-evaluate the cost-effectiveness of service offerings, and individual measures. Similarly, if the Board approves new avoided costs after a contract is signed with the winning bidder, contractual performance goals may also need to be adjusted.

c. Technical Reference Manual

The Technical Reference Manual is a regularly-updated, comprehensive list of all measure and program assumptions used in determining measure and program cost-effectiveness. The Technical Reference Manual (current as of 3/1/05) is attached as **Appendix I**. The EEU will continue to update the Technical Reference Manual so that it contains current documentation on all measure and program assumptions. Changes to existing measure characterizations and program assumptions, and all assumptions for new measures and service offerings, will be coordinated with the DPS and the CA through the Technical Advisory Group. All changes will be documented in the Technical Reference Manual, including the basis for the new assumption. Annually, the EEU will provide the Technical Reference Manual to the Board, the DPS, and the Contract Administrator.

d. Market Assessment Activities

The EEU will collect, compile, and assess information on the characteristics and current status of markets targeted by the Core programs. This information should include, for example, changes or expected changes in these markets, technology changes, design and management strategies to increase energy efficiency, and the status and progress of EEU-funded programs in capturing the potential for cost-effective energy savings. The EEU will need this information to achieve its objectives, assess its performance, and recommend changes to programs. This information must be adequate to provide the basis for improving and redesigning programs, however, the DPS will continue to assess markets in a statistically rigorous manner in the course of its evaluation and market characterization activities. The EEU should coordinate its information collection activities with DPS information needs for future estimates of energy efficiency potential and monitoring and evaluation activities.

The EEU's responsibilities with respect to collecting information related to market transformation effects will be limited to data about its efforts (for example, the EEU will collect information about its installations, but it will not be responsible for collecting information about awareness of new energy efficient technologies among Vermont residents).

2. Manage Subcontractors and Service Providers

The EEU will solicit, select, hire and oversee employees and subcontractors to deliver energy efficiency services, and develop methods for managing the performance and compensation of service providers. The EEU should place a high priority on developing methods to assure coordination, integration, and joint promotion of efforts that are relevant to more than one market.

The EEU will develop and oversee compensation levels and mechanisms for direct employees and for subcontractors, and will collect and compile information for documenting performance. It will review, approve, and pay subcontractor, service provider, and other service-related expenses in a timely manner.

3. Quality Assurance

The EEU will develop and maintain quality assurance standards and tracking and monitoring mechanisms for each initiative, ensuring that both direct employees and subcontractors apply the quality assurance standards and methods set forth by the EEU. The EEU must ensure that such standards and tracking and monitoring mechanisms are operating effectively for all services and initiatives.

4. Performance Assessment²³

The EEU will be responsible for collecting, maintaining and providing information sufficient to assess service and market performance for the purpose of assessing its own effectiveness as well as the performance of its subcontractors. The EEU will make this information available to DPS staff and independent evaluation firms. It is not anticipated that the EEU will conduct formal "process" evaluation activities. If it is determined those are necessary or desirable, they would be paid for out of the funds set aside for formal evaluation activities.

Note: The MOU specifies in ¶ 11 that the Department of Public Service ". . . will provide for formal evaluation of the Core Programs and any other System-wide Programs approved by the Board for EEU implementation." The Board understands the language in ¶ 11 to refer to formal market assessment and characterization studies and to impact evaluation of programs or program

23. This RFP makes an important distinction between performance "assessment" (which is the responsibility of the EEU) and performance "evaluation" (which is the responsibility of the DPS or independent evaluation firms). Assessment is a managerial review function, similar to that performed internally by all companies. Evaluation is the formal examination of the EEU's performance by an outside entity in accordance with the performance metrics to be established.

components.²⁴ Program monitoring and ongoing assessment of service and initiative implementation effectiveness are the responsibility of the EEU as part of **Section III.D.4**, above.

Note: As shown in the calculation of funds available to the contractor that is attached as **Appendix J**, funds have already been set aside for the formal evaluation activities to be conducted by the DPS, and for the "independent evaluation of programs" required by 30 V.S.A. § 209(e)(10) during this contract cycle. Bidders do not need to reserve funds from their budgets for these purposes.

5. Program Marketing, Consumer Information, and Education

The EEU must develop and implement a public and consumer information strategy to: (1) promote customer participation in and market awareness of EEU services; (2) increase consumer awareness and understanding of the benefits of energy efficiency both for participants and non-participants; (3) increase consumer demand for energy efficient products and services; and (4) affect consumer decision-making in consumer-driven energy efficiency choices. At a minimum, the EEU must provide: (1) a toll-free number as described in 30 V.S.A. § 209(d)(3); (2) a web page describing services available to customers;²⁵ (3) effective customer response and referral procedures; and (4) a system for addressing and resolving customer complaints promptly.

The EEU will also develop and implement energy education and technical training services and initiatives, including cooperative activities with Vermont educational institutions, vocational training, and continuing education.

Note: Bidders' proposals must detail their public and consumer information strategy. The Board is actively seeking creative proposals for: (1) increasing general public knowledge of the system-wide benefits of energy efficiency; and (2) providing the EEU with appropriate performance-based incentives in this area.

6. Better Buildings by Design Conference

The EEU will continue to operate the annual *Better Buildings by Design* conference. This is the largest energy efficiency conference for builders and design professionals in New England (there were over 940 attendees at the 2005 conference). The program for the 2005 conference is attached as **Appendix K**.

Because the conference is traditionally held in mid-February, much of the planning for the 2006 conference will have already been performed by the current EEU contractor. As a result, there will need to be considerable transition coordination between the current EEU contractor and the new EEU contractor.

24. The DPS will develop a three-year plan for its market assessment and characterization activities, and for evaluating the EEU. Bidders may expect that the DPS will consult with the EEU on the market assessment and characterization portion of its plan.

25. The EEU's current web page is www.encyvermont.org.

Note: Bidders' proposals should specifically address the transition issues associated with the 2006 *Better Buildings by Design* conference.

7. Technical Assistance and Educational Support for Energy Code Activities

The EEU will provide technical support and training regarding the Residential Building Energy Standards (RBES) and the Commercial Building Energy Standards (CBES). The anticipated support includes, but is not limited to: (1) direct technical assistance, including a telephone "hot line"; (2) development, production and delivery of educational materials; and (3) development and delivery of workshops and professional training. The EEU will not be responsible for RBES or CBES activities that require the development of new provisions for the energy code, legislative advocacy regarding adoption of new or updated energy codes, or the evaluation of energy code activities.

8. C&I Customer Credit Program

The EEU will be responsible for the administration and implementation of the C&I Customer Credit Program described in the Attachment to the Board's January 27, 2004, memorandum to interested persons (see **Appendix C, Items 2-3**), and will need to budget accordingly from the business sector services to accommodate potential participants in this program. Historical cost data for this program is available in Efficiency Vermont's Annual Reports. Note that in the new contract period, the EEU will not need to budget for incentive payments to customers participating under the Net Pay Option as the incentive payments will not be included in the funds available to the EEU contractor (see the calculation of funds available to the EEU contractor in **Appendix J**).

9. Develop Independent Funding Sources

The EEU will be expected to facilitate the development of, and/or develop, independent energy efficiency funding mechanisms that leverage non-EEU funds (such as grant funds). Another potential source of funding is customer contributions. The EEU should develop mechanisms to help overcome lack of customer access to financing for efficiency investments so that customer contributions to measure costs can be maximized consistent with principles of sound program design.

10. Relationship to Regional Wholesale Electricity Market Activities

Regional wholesale electricity market activities have the potential to significantly affect the cost-effectiveness of the EEU's activities, particularly if, as part of the implementation of Standard Market Design, the New England region adopts nodal pricing. As a result, the EEU will be expected to have a meaningful knowledge of the location-specific nodal prices which underlie the Vermont zonal Locational Marginal Price. The EEU will not be expected to play an advocacy role in regional activities related to Standard Market Design or nodal pricing.

Note: Bidders' proposals should demonstrate, in a concise manner, their understanding of the potential impacts of the adoption of nodal pricing on the cost-effectiveness of energy efficiency measures and services.

In addition, legislation is currently pending that, if passed, would remove the statutory cap on funding for the EEU, and would require the Board to consider, among other items, the value of targeting energy

efficiency activities to locations, markets, or customers where they may provide the greatest value, when the Board establishes the budget for the EEU. If this (or similar) legislation is passed, this may result in the Board needing to renegotiate the contract with the winning bidder. The Board's contract with the winning bidder will need to allow for this potential renegotiation in response to statutory changes.

11. Coordinate Program Data Collection Activities

The EEU will coordinate, manage and secure required program data collection from subcontractors, distribution utilities, and other appropriate entities. The EEU will ensure that data definitions, formats, collection, processing, storage and retrieval procedures used by it and any subcontractors or agents are consistent with the requirements of **Section III.C.5** of this RFP and result in an integrated and easily accessible, consistent set of data for all programs.

Note: Bidders must demonstrate their capability in this area and specify how they will ensure this data collection and coordination occurs.

12. Coordinate With Existing Market Participants

The EEU will coordinate its efforts with existing market participants, such as vendors, builders, contractors, trade allies, trade associations, engineers, and design professionals, in order to more efficiently deliver energy efficiency services to Vermonters. The EEU's efforts in this area may include education and training of existing market participants, subcontracting for the delivery of energy efficiency services, cooperation regarding service delivery, or other means of coordination.

Note: Bidders' proposals should thoroughly describe how bidders will recruit and utilize existing market participants to help deliver each of the major energy efficiency program initiatives proposed.

13. Coordinate With Other Energy Efficiency Activities

The EEU will coordinate its efforts with other public and private energy efficiency efforts, at the state, regional, and national levels, to address structural market deficiencies related to the adoption of cost-effective energy efficiency measures and practices. Coordination with the organizations listed below should be addressed by bidders in their proposals. Other state, regional or national initiatives or organizations may emerge in the future. The EEU will be expected to evaluate the potential benefits of those efforts and coordinate with and participate in them in a manner that is consistent with the mission and objectives described in **Section III.A**.

Note: The EEU will be expected to integrate and coordinate its program implementation activities with the activities of: (1) the Department of Energy/Environmental Protection Agency Energy Star Program; (2) the Northeast Energy Efficiency Partnerships ("NEEP"); (3) the Leadership in Energy and Environmental Design ("LEED") green building rating system; (4) existing financial institutions' loan programs (to the extent possible); (5) the Vermont Weatherization program; (6) the School Energy Management Program of the Vermont Superintendents' Association; (7) institution purchasing; (8) the Act 250 process (10 V.S.A. §§ 6081-6092); (9) efforts to promote advanced building design; (10) efforts to encourage

customer energy cost monitoring; (11) efforts to adopt energy efficiency product standards; and (12) any demand response programs implemented by Vermont distribution utilities, Vermont Electric Power Company (VELCO), or the New England Regional Transmission Organization ("NE-RTO").

14. Coordinate EEU Service Delivery with BED

The EEU will be expected to coordinate and assist in program implementation with the City of Burlington Electric Department ("BED") in accordance with the terms of: (1) BED's Bilateral Agreement with the DPS that was approved by the Board in its September 30, 1999, Order in Docket 5980; (2) the Board's September 22, 2000, Order in Docket 5980; and (3) the Board's November 22, 2002, Memorandum to BED and the DPS.²⁶ These documents are included as **Appendix L, Items 1-3**. The decisions embodied in these documents require a high level of both coordination and cooperation between the EEU and BED. Annually, BED and the EEU have negotiated an agreement that includes coordination details and responsibilities, as well as details of financial payments. A copy of the current coordination agreement between BED and Efficiency Vermont is included as **Appendix D**.

Bidders should be aware that the current coordination agreement does not include funds to support the EEU's delivery of emerging market services in BED's service territory.²⁷ However, it is expected that future agreements will include funds for this purpose. All funds provided to the EEU pursuant to the coordination agreement are in addition to the amounts available to the EEU contractor that are shown on **Appendix J**.

Any disputes between BED and the EEU regarding the coordination efforts or compensation described above will be mediated by the Contract Administrator. If the Contract Administrator cannot settle such a dispute, then the dispute will be submitted to the Board for resolution.

15. Coordinate Delivery of the EEU's Residential New Construction Services With WEC in WEC's Service Territory

As provided in the DPS-WEC July 2002 Agreement (included as **Appendix M, Item 1**), which was accepted by the Board in its August 1, 2002, memorandum (attached as **Appendix M, Item 2**), the EEU will be expected to continue to deliver the statewide residential new construction services in Washington Electric Cooperative's ("WEC") service territory in coordination with WEC. This coordination may take the form of unique features and/or enhancements to the residential new construction service that WEC and the EEU may agree to make available to WEC members. The cost of any such unique features and/or enhancements will be borne by WEC. The current WEC - Efficiency Vermont coordination agreement, an amendment to that agreement, and a description of services provided pursuant to that

26. The Board has not yet made a final determination regarding BED's continued delivery of EEU services in its service territory for the 2006 - 2008 period. However, for purposes of preparing their proposals, bidders should assume that BED will continue to deliver those services throughout the term of the contract, and that funds will be set aside from the total EEU program budget for BED's implementation costs as shown on **Appendix J**.

27. In 2005, BED contributed approximately \$61,000 to fund the EEU's emerging markets activities.

agreement are included as **Appendix N, Items 1-3.**

Any disputes between WEC and the EEU regarding the coordination efforts or compensation described above will be mediated by the Contract Administrator. If the Contract Administrator cannot settle such a dispute, then the dispute will be submitted to the Board for resolution.

16. Coordinate With Distribution Utilities ("DU")

The EEU will coordinate with DUs on energy efficiency programs DUs implement on their own behalf. These programs may include voluntary system-wide programs a DU may provide in its own service territory, or they may be a part of geographically-targeted Distributed Utility Planning ("DUP") efforts that utilities are required to undertake under the terms of the MOU and the Board's April 16, 2003, August 19, 2003, and October 10, 2003, Orders in Docket 6290.²⁸

When considering the application of programs or program technologies that might have a significant material impact on the integrity of a DU's transmission and distribution system, or a customer's facility, the EEU will coordinate with the affected DU to determine whether power quality and power factor may be affected. If problems are identified, the EEU will cooperate with the affected DU and/or customer to resolve the problem.

Note: The MOU at ¶¶ 28-42 outlines the responsibilities of DUs and the EEU with regard to Distributed Utility Planning. These sections require the EEU to have the capability to respond to certain specific information and assistance requests from DUs. The EEU will coordinate with DUs for those energy efficiency programs to be implemented as part of DUP activities. Such coordination will include DSM measures and technologies, markets and market segments, and services and activities that overlap market(s) served through Core programs. Where overlaps are identified, the EEU will work with the DPS and distribution utilities to ensure that DUP programs are consistent with the EEU Core programs. The EEU will also work with DUs to facilitate the development and implementation of joint or coordinated efforts where they would help maximize savings, reduce lost opportunities, remove conflicts in program design, and avoid undesirable duplication of services.

Note: Bidders' proposals should briefly address how their proposed program initiatives can coordinate with and enhance distributed utility transmission and distribution planning.

17. Support for Resource Planning and Program Evaluation Activities

The EEU will provide the data and information necessary to support the DPS's DSM resource planning and evaluation activities, in particular, the DPS's obligation to conduct EEU program evaluation (MOU, ¶ 11) and the DPS's evaluation of EEU performance²⁹, market conditions, and available DSM potential.

28. These Orders are available on the Board's website. They address the distribution utilities' obligations regarding distributed utility planning, but do not discuss the EEU's role in these efforts.

29. The DPS is developing a set of organization metrics to track EEU organizational changes.

The EEU will also provide data and information support for the independent evaluation of the EEU required by 30 V.S.A. § 209(e)(10). (The most recent independent evaluation is included as **Appendix O**).

The EEU will cooperate actively in the identification and prioritization of information needs, the exchange of information, and the timing of work products with the PSB, DPS staff and other entities as necessary to effectuate strategic planning, multi-year program planning and budgeting, market assessment, and program evaluation.

E. Program Transition Responsibilities

1. Transition after New Contractor is Selected

The Board expects the winning bidder to work with the current EEU contractor to accomplish as smooth a transition as possible.³⁰ The transition must be performed in an organized and efficient manner with a minimum of disruption to customers, vendors, trade allies, contractors, design professionals, and other energy efficiency service partners.

It is critical that the winning bidder manage the transition from the EEU's current service offerings to those the winning bidder proposes to offer, particularly if there are any significant differences between the two groups of services. This is important to minimize confusion among customers, suppliers, trade allies, vendors, design professionals, engineers, and other market actors.

Note: If bidders are proposing significant changes from the EEU's 2005 service offerings, their proposals must contain a general description of how they intend to transition from the current service offerings to the new ones. Bidders should be aware that the winning bidder will be required to develop a detailed transition plan.

In addition, the winning bidder must fulfill the outstanding terms of existing customer contracts entered into by the current EEU.³¹ This includes assuming the existing financial obligations and requirements of program delivery such as providing customer incentives, and technical and design assistance. The exact dollar value of these commitments cannot be quantified at the present time, however, as of March 9, 2005, the EEU had \$1,037,342 worth of outstanding commitments to customers; some of those commitments will be paid before the end of 2005, but it is expected that additional commitments will be made. In preparing their proposals, bidders should assume outstanding commitments of \$1,000,000. The winning bidder will be able to update this assumption, based on information current at the time,

30. As shown in **Appendix J**, funding has been set aside to pay the current contractor for its role in transition activities during 2006.

31. The Board has expressly required the current EEU to strive to create a "pipeline" of projects that extend beyond the end of the current contract term. This requirement recognizes that many customer projects have a lengthy lead time, and the Board does not want the current or future EEU contractors to "ramp down" their efforts as the end of the contract approaches. The goal of providing cost-effective energy efficiency services to Vermonters should not be affected by the approach of the end of a contract.

during contract negotiations. See **Appendix P** for a breakdown of these commitments by the core market served.³²

Note: Bidders' proposals should explain their plans to accept and integrate these obligations into their own service delivery strategy.

Bidders should also be aware of Efficiency Vermont's loan guarantee program since the terms of the loans extend beyond the end of the current contract term. Efficiency Vermont provides low-interest loans to cover farmers' up-front costs for energy efficient equipment. In collaboration with the Vermont Development Credit Union ("VDCU"), the EEU also puts up a loan guarantee equal to 50% of the amount loaned for all loans made and 100% on loans that did not meet VDCU's underwriting requirements. The guarantee is held in a savings account established at VDCU. VDCU draws funds from this account for any loan defaults. The EEU invoices the FA for any funds that are required to be deposited at VDCU for the loan guarantee as a Business Existing Building Initiatives expense. As the loans are paid down, the amount required to be in the account is reduced and is returned to the EEU on a quarterly basis. These monies are shown as a credit on EEU's monthly invoice. As of December 31, 2004, the EEU had deposited \$27,726.78 in the Loan Loss Reserve Fund as required for twenty-one (21) 50% loans and \$5,232.85 in the fund for four (4) 100% loans for a total of \$32,959.63. Any funds returned after January 1, 2006, will be returned to the new EEU contractor; any such funds would be in addition to the funds available to the contractor shown on **Attachment J**.

There are many items used by the current EEU contractor that are the property of the State of Vermont. All these items will be transferred to the winning bidder. They include: (1) the name *Efficiency Vermont* and its logo; (2) the current Efficiency Vermont website; (3) all data collected by the current EEU contractor; (4) all of the current EEU contractor's and its subcontractors' work products developed pursuant to the current EEU contractor's contract with the Board (except for certain software discussed below); (5) Oracle database engine software; (6) one Dell server; and (7) the Comdial Quick Q Automated Call Distribution System, NT Package.

The state of Vermont also has the option to retain in perpetuity a licensing agreement for the KITT custom written database front-end user interface software (this software is described in more detail in **Section IV.A**, below). The licensing agreement would allow the software to be used to perform the functions of the EEU within Vermont at no charge.

2. Program Termination Transition

If the EEU's role is terminated or transferred to another entity on any future date, the EEU shall cooperate with and assist any such transition process so as to best effectuate the purposes of 30 V.S.A. § 209 and the Order. This obligation shall include without limitation, the sharing and transfer of data and management information systems and software (see **Section IV.A** and **Section IV.H**, below).

32. Customer- and project-specific information will be provided to the selected bidder.

IV. SPECIAL PROJECT CONSIDERATIONS

A. Customized Data Tracking and Reporting Software

From 2000 through 2005, the contractor serving as the EEU has licensed and updated customized software used for data tracking and reporting. That software is called KITT, which stands for the "Knowledge-Based Information Technology Tool" (formerly known as FastTrack), and is licensed from Conservation Services Group. The license can be retained in perpetuity without charge for use in performance of the functions of the EEU within Vermont. Bidders should expect to continue to maintain, and update as necessary, this customized software or provide a detailed explanation and budget for its replacement.³³

KITT is a user interface for Efficiency Vermont's Tracking system. It is used to view, enter and update data regarding customers, companies, energy efficiency measures and projects of Efficiency Vermont. It is also the main tool for producing approximately 83 separate tables used in the required monthly, quarterly and annual reports.

KITT is developed in Delphi version 7.0. There are three documents that are available on the DPS website that relate to KITT. They include the:

- Efficiency Vermont KITT Database Reference Manual – A complete description of tables, fields and their relationships within the Efficiency Vermont Tracking system
- Efficiency Vermont KITT Software Internals Manual – A description of the Delphi application that serves as the user interface with the Oracle database
- KITT Primer – A User's manual to the Delphi application

Note: If the winning bidder elects to use KITT, the bidder will be expected to maintain and update these three documents. If the winning bidders uses different software, the bidder will be expected to develop and maintain similar documentation.

KITT is also the primary interface with the dataset of all Vermont electric utility customer account information. This information is regularly provided by 20 electric utilities. Four major utilities provide this information on a monthly basis. The other utilities provide the information semi-annually. In addition to customer account information, there are approximately 30 million records of customer usage histories supplied by the electric utilities. The data is provided in different formats by the different utilities. Systems have been developed and will be available to the contractor to automatically

33. For information purposes, the current contractor serving as the EEU spent the following amounts on Information Technology. This includes the cost of developing and maintaining KITT, as well as other Information Technology costs:

2000 — \$139,000
2001 — \$256,000
2002 — \$300,000
2003 — \$365,000
2004 — \$477,000

standardize the data format and import this data.

Efficiency Vermont uses the database Oracle 9 in its delivery of programs to the residents of Vermont. The database resides on a dedicated server currently running SUSE Linux. The Oracle database contains all of the tables associated with the Efficiency Vermont Tracking system, including people, companies, contacts, projects, energy efficiency measures, utility accounts and utility usage data. Bidders should expect to maintain a license agreement with Oracle or provide a detailed explanation and budget for its replacement.

B. Contract Administrator and Fiscal Agent

The Board will retain both a Contract Administrator and Fiscal Agent to assist in its administration of the EEU. See **Section I.B** for further detail.

C. EEU Use of Subcontractors

The EEU may deliver statewide efficiency programs directly and/or through subcontractors. Given that the EEU contractor will not be a state entity, bidders should be aware that the EEU will not be required to adhere to state contracting procedures when engaging subcontractors. Nevertheless, EEU contract agreements with subcontractors must be consistent with prudent business practices, employ fair employment practices and include adequate insurance coverage for all subcontractors.

D. Certain Subcontracting Provisions

The EEU will be required to accept subcontracting proposals from Vermont Municipal or Cooperative Distribution Utilities ("MCDUs") who qualify under the MCDU option in ¶ 6 of the MOU and seek to implement program services for one or more of the efficiency programs within that MCDU's service area. An MCDU seeking to subcontract under the terms of this paragraph of the MOU must submit a proposal to the EEU. Bidders also need to be aware that provisions exist with respect to the City of Burlington Electric Department ("BED"), Washington Electric Cooperative, Inc., ("WEC"), and the C&I Customer Credit Program as referred to in **Sections III.D.8 and III.D.15**, above.

E. Distributed Utility Planning

Vermont electric utilities may request the services of the EEU in certain cases for implementation of their obligations for particular strategic retrofit programs (See **Section III.D.16**). In the event of such a request, the EEU would be required to enter a competitive bid, and, if selected, act as a contractor directly to the electric utility to perform program services. The EEU will receive compensation from the requesting utility for the development of its proposal to perform these services, and separate compensation from utilities for any services so provided under the terms of such contracts.

F. Program Budget

The amount of funds available for the EEU for the years 2006-2008, to the extent that they are known and approved by the Board, is found in **Appendix J**. The Board has determined that \$17,500,000 will

be collected from ratepayers via a wires charge to fund the EEU program in each of the three years.³⁴ However, not all these funds will be available to the EEU contractor. As explained in more detail below, and as shown in **Appendix J**, other costs associated with the EEU program are paid out of the wires charge collections.

Bidders are required, as part of their proposals, to submit their own proposed budgets for the years 2006-2008. These budgets should be based on the total amount available to the EEU contractor, as shown on **Appendix J**. Bidders may propose annual components that are more or less than the funds available to the contractor in a particular year. However, bidders must understand that their ability to be reimbursed by the Fiscal Agent will be limited to the funds actually collected. See **Section V.D** for more information about the budgets that bidders must submit as part of their proposals.

1. Contract Administrator and Fiscal Agent Funding

Bidders should be aware that the costs of hiring the CA and the FA will be paid from the funds collected via the wires charge. As shown on **Appendix J**, \$200,000 a year is set aside to cover these costs.

2. Fiscal Agent Audit

Bidders should be aware that the cost of performing an annual audit of the EEU Fund will be paid from the funds collected via the wires charge. As shown on **Appendix J**, \$20,000 a year is set aside to cover these costs.

3. Funds for BED's Implementation of EEU Services

Bidders should be aware that the funds BED uses to implement EEU services in its service territory are collected via the wires charge. The Board has not yet determined the exact amount of the wires charge funds that will be available for BED to implement EEU services in its service territory during the years 2006-2008. As shown on **Appendix J**, for purposes of their proposals, bidders should assume that \$900,000 a year is set aside to cover these costs. If the Board later determines that BED should receive a different amount of funds, contractors will be expected to adjust their proposed performance goals (up or down) accordingly.

4. Funds for DPS Monitoring and Evaluation Activities

Bidders should be aware that the funds the DPS uses to conduct its monitoring and evaluation activities of the EEU are collected via the wires charge. As shown on **Appendix J**, \$577,500 per year is set aside to cover these costs.

34. This is the maximum that the statute allows to be spent on energy efficiency programs delivered in multiple utility service territories in a year. Bidders should be aware that legislation is currently pending that would remove this cap and expand the areas in which the Board may authorize the EEU to operate. If this legislation passes, the Board would need to consider how to implement it, and this may ultimately result in a need to renegotiate the contract with the winning bidder. Any contract awarded under this RFP will need to allow for this possible renegotiation.

5. Funds for C&I Customer Credit Net Pay Option Incentives

Bidders should be aware that the funds available to be paid as incentives to customers participating in the C&I Customer Credit Net Pay Option are subtracted from the amount collected via the wires charge. As shown on **Appendix J**, \$585,000, \$605,000, and \$630,000 is set aside in 2006, 2007, and 2008, respectively, to cover these costs.

6. Funds for Current Contractor's 2006 Transition Activities

Bidders should be aware that the current contractor is expected to incur some costs in 2006 that will be paid for from the amount collected via the wires charge in 2006. As shown on **Appendix J**, \$624,000 has been set aside in 2006 to cover these costs.

G. Contract Terms

The initial contract with the new EEU contractor is expected to be from January 1, 2006, through December 31, 2008, with the Board reserving the option of renewal at the end of the contract. The PSB will review the performance of the EEU prior to the end of this period and may renew the contract for another three-year term. The Board reserves the right to cancel the contract with ninety days' notice to the EEU. The EEU may cancel its contract with the Board with three hundred and sixty-five days' notice to the Board. In the event the Board chooses to contract with another bidder to provide the services of the EEU at the end of this contract term or upon cancellation of the contract, or in the event that the EEU elects to exercise its option to cancel the contract, the existing EEU will provide reasonable transition assistance to the Public Service Board in implementing the new EEU, at reasonable rates of compensation. Under no circumstances will the existing EEU have any right to compensation for investments or other expenditures that were undertaken pursuant to, or in anticipation of, the extension of the contract.

H. Property Owned by the State

Any logos, trademarks, databases, service marks, copyrighted material or material eligible for copyright, computer software, surveys, survey results, and program designs, including those released by Vermont electric utilities, and any work product determined by the Board to be necessary to the success of the programs approved for EEU implementation will be the property of the State of Vermont and used only with its permission.

In addition, the State of Vermont will reserve the right to retain use of any materials developed for the project by the selected bidder, excluding equipment and/or material in the possession of the bidder prior to its selection as the EEU. The bidder will provide a list of material already in its possession, and intended for use in implementing this contract prior to signing the contract with the Board for EEU implementation. Any software whether developed under, or in existence prior to, the contract will remain available for use by the State of Vermont for the entire contract period, and may be retained for State use by another bidder upon termination of the contract at the State's discretion.

V. RESPONSE FORMAT and PROPOSAL REQUIREMENTS

A. Summary

Bidders are required to present their proposals in accordance with **Sections V.B, V.C, V.D, V.E, V.F, V.G, V.H, and V.I** below, in that order. Proposals should be prepared simply and economically to provide a concise description of the bidder's approach and capabilities for satisfying the required services outlined in this RFP.

It is important that proposals be complete. In the event a bidder chooses not to respond to any section of the response format, the bidder should then, in place of the appropriate section, indicate its reason for the omission of a response. In addition, bidders should address any and all anticipated difficulties and/or problem areas along with potential approaches to their resolution.

Bidders may make certain assumptions or use simplifying conditions in their proposals. However, those assumptions or conditions must be clearly identified and the rationale behind them fully explained.

Bidders should provide one original and 12 copies of their proposals in a format that conforms to the following outline:

The following sections are also incorporated in the evaluation criteria set out in Section VI.B. Please refer to that section for further guidance in developing a proposal.

Technical Approach [approximately 50% weight]

B. Technical Approach

The Board seeks a thoughtful and creative approach to delivering savings in the core markets. The technical approach includes, but is not limited to:

- the approach to delivering savings in the core markets;
- proposed savings goals;
- clear and measurable performance criteria (*e.g.*, quantity of net savings, participation rates, net penetration rates for specific measures, etc.);
- the Information Technology component;
- the approach to emerging markets; and
- an understanding of EEU program objectives.

The proposals should communicate how these elements, and others the bidders deem important, will be addressed by the contractor. The technical approach will be assessed for its clarity, practicality, creativity, and where appropriate, the promised level of achievement.

1. Proposed Energy and Capacity Savings Objectives

Bidders should propose three-year energy and capacity savings objectives (the objectives for capacity should be further broken down into winter and summer savings).³⁵ Bidders' proposal should show the components of three-year objectives, that is, how much each type of savings will come from each core market, categorized by major end use, annually. This detail is for informational purposes, and only the overall three-year savings objectives will be considered the basis for contract negotiations. Bidders should note that energy savings will be weighted more heavily than capacity savings.

2. Probability of Achieving or Exceeding Energy and Capacity Savings in Core Markets

Bidders should provide a thorough and well documented methodology for achieving or exceeding the proposed level of energy and capacity savings. Specifically, bidders should address how they will reach the target savings goals for each market over the course of the three-year contract. The Board will place a high emphasis on the bidders' demonstrated probability of meeting the criteria set out in this section while preserving the balance of such other objectives as statewide participation and lost opportunity penetration. Bidders' achievements implementing energy efficiency programs in Vermont and outside the state, both on a service-territory specific basis and on a statewide basis, will be considered by the Board when it evaluates bidders' probability of meeting its energy and capacity savings goals.

3. Proposed Additional Performance Criteria

The Board requires bidders to offer carefully thought out proposals for other EEU performance criteria, which may be used to assess the progress of EEU efforts in addressing and balancing the diverse goals for the EEU. Bidders may use as a reference point the existing performance criteria attached as part of **Appendix F** (see, specifically, Attachment K of **Appendix F**), but should be aware that the Board is very open to considering the establishment of different criteria (except that bidders must propose energy and capacity savings objectives as discussed in **Section V.B.1**, above). The performance criteria play an important role in the planning, conduct and assessment of EEU program activity and will be incorporated as benchmarks in the EEU's contract with the Board.

The Board specifically seeks concrete proposals for performance measurement, recognizing that it is critical to achieve a balance among what can often be conflicting goals such as kWh savings, participation rates, quantity of net savings, net penetration rates for specific measures, etc. Bidders should recognize the existence of the current objectives that must be achieved by the EEU, as set out in **Appendix F**, but are encouraged to propose alternative objectives or benchmarks for each program. Bid proposals **must** include specific and measurable objectives for achieving these goals.

The Board is particularly interested in performance criteria for measuring the success of market transformation activities and programs that are included in bidders' proposals. The effectiveness of these programs often cannot be measured in energy and capacity savings, so additional performance criteria

35. Bidders' should be aware of the EEU's historic achieved savings (noting that these savings were achieved with smaller annual budgets). Verified savings can be found in Efficiency Vermont's Annual Reports which can be accessed through the DPS's website. The 2003 Annual Report is also attached as **Appendix H, Item 3**.

are particularly important. The Board will consider the performance criteria proposed when it reviews the mix of resource acquisition and market transformation services and initiatives that are included in a bidder's proposal.

Bidders should identify how they will achieve any additional specific milestones and performance objectives, and the method by which their implementation effectiveness can be measured.

Bidders should summarize their performance indicator proposals in a format similar to Tables K-2 and K-4 of the current EEU contract (see Attachment K of **Appendix F**). This format includes information on: (1) proposed objective and scaling³⁶; (2) the "weight" or portion of the total dollar amount assigned to that indicator; (3) the period of time covered by the indicators (e.g., one year or the entire three-year contract period); and (4) how achievement of the indicator can be verified.

The final definitions of performance indicators, their objectives and their individual award values, as well as any minimum performance requirements, will be set during contract negotiations.

4. Administration and Program Implementation

The purpose of this component is to assess the appropriateness of the bidder's approach to the Scope of Services with respect to achieving savings in core markets and development of a concrete and achievable Work Plan. It will also allow bidders to demonstrate their understanding of market transformation effects, and strategies to achieve these effects in specific markets.

Bidders should prepare a proposed Work Plan that describes how they will accomplish the tasks and sub-tasks set forth in the Scope of Services. The Board is particularly interested in obtaining detailed information and discussion on the bidder's preferred approach to several key subtasks:

- Approach to general administration – In response to **Section III.C**, bidders should describe their proposed approach for general management, budgeting, financial management, and data management. This section should also cover the way in which the bidder proposes to handle the required data, information technology, and reporting functions. This section should also include the approach to overseeing the performance of sub-contractors and implementers of programs. The bidder's approach to dispute resolution should also be covered in this section.
- Approach to program planning, operations, and implementation – In response to **Section III.D**, bidders should explain their proposed approach for managing and implementing savings in the core markets. The Board encourages bidders to explain how they will

36. The Board expects awards for performance indicators to be "scaled" so that the winning contractor receives a portion of the award for that indicator once it reaches a minimum threshold. If the contractor reaches the target or goal, it would receive 100 percent of the award for that indicator, and if it exceeds the target (up to some predefined level), the contractor would receive more than 100 percent of the award for that indicator, with the caveat that the contractor's total performance award may not exceed the total amount stated in the contract.

utilize creative and effective market strategies that will enhance and transform the current infrastructure. The proposals must build in methods to ensure consistent and effective strategies for achieving savings in a manner that is accessible to customers and promotes widespread (with respect to geographic, market, and customer) savings. Proposals must include a discussion of internal monitoring and assessment of savings in the core markets and how quality assurance will be achieved.

Specifically, bidders should describe their proposed approaches for soliciting, selecting, and hiring staff or subcontractors to implement savings and how they plan to encourage or provide incentives for sub-contractors or implementers to achieve the savings goals and the Board's policy objectives. Proposals should also address the bidder's approach to the management and implementation of the C&I Customer Credit program and the bilateral agreement with BED. Other areas that should be covered in this section of the proposal are the bidder's plan for marketing, information, and education, development of independent funding sources, and coordination with the distribution utilities.

Bidders should describe their proposed approach for leading and facilitating program planning processes, particularly in the second and third years of the contract. Specifically, bidders should address the process and analytic basis they would use to suggest significant changes in program direction, funding levels, and target markets.

Bidders should demonstrate their knowledge of, and expertise in, designing market transformation strategies. Bidders should describe in detail the strategies they intend to use in each core market (such strategies may include soliciting program design ideas in a competitive bidding process). They should include their approach to accounting for, measuring, and quantifying market transformation effects in program costs.

- Emerging Markets/Business Initiative – Bidders should describe their approach to identifying and serving emerging markets. The approach should be a flexible and innovative means to address market deficiencies through the strategic implementation of targeted DSM services for discrete market sectors, for new technologies and strategies, and for under-served market segments. It is anticipated by the Board that this program may serve as an incubator for planning, design, and marketing of services that can ultimately result in core market projects.

Bidders should discuss their approach to assessing current market conditions and the proposed funding levels for identifying and serving emerging markets. They should also discuss their approach to allocating funds among different market sectors, and any specific program concepts, emerging technologies or target markets they would propose to emphasize. Bidders should also discuss how they will use this program/initiative to develop and enhance market transformation strategies over time.

5. Overall Strategic Approach and Design

Bidders should provide a thorough discussion of their overall strategic approach to providing statewide administration and implementation of savings in the core markets for the duration of the three-year contract. This discussion should provide a description of the intended methods for delivering savings in *each* of the core markets.

The Board recognizes that there is a variety of strategic approaches that could be used to deliver energy efficiency services in Vermont, ranging from a management structure in which most services and program planning are provided by in-house personnel, to an "umbrella" structure in which the EEU functions more as a coordinator or administrator and issues competitive solicitations for program ideas and delivery of the services. The Board is open to considering all approaches.

A primary purpose of this subsection is to demonstrate the bidder's understanding of the Board's policy objectives, the EEU's role in achieving those objectives and the possible performance incentive mechanisms to align effectively the EEU's interests and the Board's policy objectives (see **Section III.A**). Bidders should discuss their understanding of the Board's policy objectives regarding energy efficiency and the role of the EEU in achieving those objectives in five pages or less, including the necessity for the EEU to achieve cost-effective savings in the core markets.

Organizational and Management Capability Approach [Approximately 40% weight]

C. Organizational and Management Capability

Bidders are required to demonstrate the capability of their team to perform the services (i.e., tasks and sub-tasks) that are described in Section III. Bidders must also be able to demonstrate prior experience in delivering energy efficiency programs. Past experience should include at a minimum: (1) general program administration, coordination and reporting; (2) program planning, development, design and budgeting; and (3) market assessment and characterization.

Bidders should be aware that the EEU will act as a prime contractor even if services are provided through sub-contractors. The prime contractor is the sole point of contact with regard to the contract provisions and interactions with the CA and the FA, which includes payment for services.

1. Degree of Commitment to Avoid Retail Energy Sales in Vermont by Structurally Separate Affiliates

Bidders must state whether they currently have any affiliates (structurally separate or not) that sell energy at the retail level in any jurisdiction. If bidders currently have any such affiliates, they must provide a written statement signed by a corporate officer stating that none of these affiliates share the operational characteristics described in **Section I.I**. All bidders must state whether they will commit to avoid such affiliate structures in the future.

2. Demonstrated Competence and Experience

a. Financial Information Requirements

Bidders must demonstrate that they have the financial resources to perform the proposed work and must provide:

- Three years of financial statements for their firm and any significant subcontractors, which should include a profit and loss statement, a cash flow statement, and a balance sheet (*e.g.*, SEC form 10-K is acceptable).
- A public or non-profit entity shall provide adequate information comparable to the information required above, that allows an assessment of financial status and capability.
- In the event a bidder is forming a new organization to bid on this proposal, the bidder should provide comparable documents from investors, partners, and/or principals.
- Bidders must clearly identify the accounting method that they propose to utilize throughout the term of the contract.³⁷

b. Bidder Qualifications and Experience

Bidders shall describe their firm and/or team's experience and capabilities in managing, delivering, and implementing energy efficiency services in markets similar to the Core markets, and in planning, administering and coordinating energy efficiency programs targeted at various markets over a multi-year period.

Bidders must provide detailed information on their qualifications and experience in performing each of the three tasks identified in Section III "Scope of Services": (1) general administration; (2) service planning, operation, and implementation; and (3) responsibility for program transition.

c. Qualifications and Experience of Key Personnel

Bidders shall identify key personnel to be assigned to this project, describe their primary responsibilities, and include résumés that describe the individuals' experience and qualifications in managing and delivering energy efficiency programs. Bidders will provide:

- Résumé or statement of qualifications for key personnel;
- Name, address, telephone number and email address of key personnel in charge of, and responsible for, planning, managing and delivering services to each Core market, for general administration and coordination, for information technology design and maintenance; and
- Estimate of assigned hours of key personnel on the project by task set forth in the Scope of Services.

37. Note: Bidders must provide annual financial statements to the Board that use accrual basis accounting.

Résumés should describe relevant responsibilities from other projects that will help the Board evaluate the qualifications and experience of key personnel to manage and deliver savings in core markets, including program management, design, implementation, market analysis, and market transformation efforts.

Bidders should include references for each subcontracted firm and should note any allocation of project deliverables to subcontracted firms throughout their proposals. The proposals must include agreements by individual subcontractors listed in bids to provide the outlined services. This agreement must be signed by a person with the authority to make such a commitment.

d. Client References

Bidders must provide references from previous (or current) clients for whom they have performed projects that are relevant to the Scope of Services. References should include specific services provided, company name and location, contact name, contact title, telephone number and, where available, email address. In the event the bidder is forming a new organization to bid on this proposal, the bidder should provide the related references for the key staff members proposed for the EEU project.

3. Management Structure

In this section, bidders must:

- Describe the business structure under which they typically operate (i.e., for-profit corporation, not-for-profit corporation, partnership, etc.). If a new organizational structure is planned by a bidder for operation of the EEU, that structure should be described fully and clearly.
- Identify all organizational team members, both the prime contractor and any known sub-contractors.
- Include a management and organization chart that depicts the relationships and proposed agreements among team members to accomplish the tasks in the Scope of Services.
- Give the current location of their main office and details regarding new locations at which they intend to establish offices for the purpose of the EEU project.

Cost Proposal [Approximately 10% weight]

D. EEU Budget

Proposals should include annual budgets for 2006, 2007, and 2008 that are consistent with the annual amounts available to the EEU Contractor as shown on **Appendix J**. Each year's budget proposal should be divided into three areas: General Administration; Information Technology; and Delivering Services to Core Markets. The sections below provide information about the minimum level of detail required for each area. Bidders are welcome and encouraged to provide more detailed information if they believe

it will assist the Board in its evaluation of their proposals.

Bidders must be aware of certain factors that will affect the budgets they propose, including the cost of certain prior program commitments, including transferred contracts, subcontracts, and other obligations (see **Section III.E**).

1. General Administration Budget Information

The purpose of this subsection is to provide a basis for the Board to evaluate bidders' budgeting capabilities, and to identify clearly the portion of the EEU budget allocated to General Administration. General Administration expenses should be divided, at a minimum, into: labor; furniture and equipment (other than IT equipment); supplies; and overhead.

The types of administrative tasks that should be included in this portion of the EEU budget are: budgeting and financial management; contract management; data collection and reporting; and support for resource planning and program evaluation activities. Administrative costs associated with serving an individual core market should be included in the budget allocation for that core market.

Bidders must propose a not-to-exceed General Administration budget amount for the contract term.³⁸ Bidders will be held to this General Administration budget amount, except for changes made during contract negotiations as a result of updates to assumptions made in this RFP, or in the case of extraordinary circumstances not reasonably foreseeable.

2. Information Technology Budget Information

Although IT might normally be included with other General Administration costs, bidders are required to separate IT costs in their proposals to enable the Board to assess the comparative costs of different IT system proposals relative to the IT services those systems will provide. IT expenses should be divided, at a minimum, into: hardware; software; and system management costs.

3. Delivering Services to Core Markets — Budget Information

Bidders must develop individual budgets for the residential and business sectors. The budgets should break out the major services and initiatives in each of those sectors. The budget proposed for each of the sectors should be closely integrated with the administration and implementation plan for the corresponding core markets. Expenses for each service or initiative should be divided, at a minimum, into: labor (audit/engineering, implementation, non-administrative); labor (administrative); planning; marketing/business development; incentives; travel/conference/training; and other costs.

38. Note that this is a three-year cumulative figure; bidders will be able to exceed the General Administration budget amount for a particular year, provided the total for the contract term does not exceed the proposed budget amount.

E. Unique Assets

Bidders are invited to describe specific unique capabilities and resources that they bring to the delivery of energy efficiency services to core markets. Examples might include specific financing capabilities, proven marketing experience, exceptional capabilities with energy-efficient building design, and experience developing partnership and/or co-marketing approaches to energy efficiency promotion.

F. Marketing and Consumer Information Strategy

Bidders should describe their public and consumer information strategy to promote awareness of, and participation in, the EEU's services and initiatives (see **Section III.D.5**).

G. Approach to Program Transition

Bidders must provide a plan for their approach to the transfer of the responsibilities of the existing EEU provider to a new provider. It should include a list of the tasks necessary to complete the transition and a detailed time line for accomplishing those tasks.

H. Information Technology Plan

Bidders must provide a plan for the development or integration of the existing system (KIT) and maintenance of their data management systems that includes a description of all proposed hardware and software (see **Section IV.A**) and a detailed time line for the implementation of this system. Bidders should also discuss any IT design issues related to tradeoffs between cost and functionality that they believe the Board should be aware of.

I. Managing Customer-Specific and Competitively Sensitive Information

Consistent with **Section III.C.5.a** of this RFP, the bidder must include a proposal for managing customer-specific and competitively sensitive information which at a minimum:

- (a) Ensures that customer-specific and/or competitively sensitive information is provided only to those entities (such as EEU personnel, subcontractors, utilities, or other entities or individuals that are not agencies of the state) which require the information to implement the EEU programs approved by the Board or to fulfill obligations to deliver utility service under Title 30 of the Vermont Statutes Annotated ("V.S.A.") and Public Service Board Orders;
- (b) Requires each entity and individual receiving the information under (a), immediately above, to first sign a protective agreement prohibiting (1) disclosure to unauthorized entities or personnel and (2) use of the information in the delivery of energy services other than in connection with the EEU programs approved by the Board or obligations to deliver utility service under Title 30 of the V.S.A. and Public Service Board Order;
- (c) Applies such standards and safeguards to all customer-specific information;
- (d) Includes criteria and a process for identifying and applying such standards and safeguards; and
- (e) Conforms with all applicable provisions of the MOU and **Section III.C.5** of this RFP.

J. Insurance Certificate

Bidders are requested to provide a copy of their current general (and professional, if available) liability insurance certificate. If the bidder is selected to become the EEU, it will be required to obtain the insurance coverage specified in **Section I.D** of this RFP.

K. Transmittal Letter

All proposal responses must include a transmittal letter in the form of a standard business letter that is signed by an individual authorized to legally bind the bidder. The transmittal letter must contain specific statements, referencing the stipulated administrative requirements defined in **Section VII** of this RFP, affirming the bidder's full acceptance of all stipulated requirements.

VI. PROPOSAL EVALUATION

A. Selection Process

Bidder proposals will be initially evaluated by an RFP Screening Committee ("Committee") named by the Public Service Board; however, the selection of the EEU contractor will be made at the sole discretion of the Board (see **Section VII.B.5**). The Committee will consist of five members: one DPS staff member; one State employee familiar with State bidding and contracting procedures; and three other individuals with knowledge of delivering energy efficiency services and/or other relevant expertise.

The Committee will rank bidder proposals using a percentage weighted system. Each section is given a percentage weight, and within each section, individual items have been ordered according to their importance to the Board. Each proposal will be scored individually. Once the proposals are evaluated, the Committee will interview up to three bidders with the highest ranking scores and assess the bidders' ability to perform the tasks outlined in their proposals.

Based on the interview/oral presentation, the Committee may revise their ranking of the proposals. Re-evaluation must be documented by committee members, indicating new information or understanding gained from the interview on which the new rankings are based. The Committee will then submit its review to the Board with a recommendation on the candidates.

The Committee's recommendation will not be binding on the Board. The Board will review the Committee's recommendation and may, at its sole discretion, choose to further review and evaluate any and/or all bidder proposals before making the final decision.

Overall, bidders' proposals will be evaluated in light of the statutory goals and the general good of the State. In this analysis, the Board will consider, and ask the Committee to comment upon, the criteria set forth in the following section (listed in rough order of significance).

B. Evaluation Criteria

The RFP Screening Committee and the Board will base their evaluation of bids on the following three basic criteria:

Technical Approach: 50%. Included in this category will be the overall strategic approach to achieving energy savings in the core markets. A performance-based mechanism, including specific performance criteria, with numerical targets, benchmarks, and goals **MUST** be proposed by the bidders, and the probability of achieving those goals must be clearly demonstrated. The thoughtfulness and creativity of the proposed approach to achieving savings in the core markets will be the other major selection criterion under the technical approach category.

Note: Bid proposals MUST include specific and measurable objectives. These objectives must include energy savings and winter and summer capacity savings goals. The

Board expects proposals to include additional objectives for other goals.

Organizational and Management Capability: 40%. Since the tasks the EEU will be selected to perform are complex and often difficult to measure quantitatively, the demonstration of organizational ability and administrative competence, and the experience of the organization and its staff and subcontractors, will be major selection criteria.

Cost Proposal: 10%. Since this RFP is unusual in that the budget for the EEU is in many respects already determined by the statutory cap of \$17.5 million and the known costs of the Fiscal Agent, Contract Administrator, and DPS Evaluation Activities (as set out in **Appendix J**), the cost component of this selection process will be judged by the amount of the overall EEU budget allocated to (1) General Administration and (2) Information Technology. Bidders should also include a budget for Core programs (see **Section 5.D.3**).

The following table summarizes the evaluation criteria. Categories (1), (2), and (3) are assigned approximate percentages for the purpose of setting relative weights to the importance of criteria in each category. The points bulleted under each category are ranked in general order of their importance to the Board.

Description	Approximate Percent
1. Technical Approach <ul style="list-style-type: none">- Performance criteria- Probability of achieving or exceeding the energy and capacity savings goals- Overall strategic approach and design- General Administration- Ongoing program development, planning and budgeting	50%
2. Organizational and Management Capability <ul style="list-style-type: none">- Degree of commitment to avoid retail energy sales in Vermont by structurally separate affiliates- Demonstrated competence and experience-Management structure	40%
3. Cost Proposal <ul style="list-style-type: none">- General Administrative budget- IT budget- Budget for achieving savings in each core market	10%
Total	100%

1. Technical Approach

These criteria will be given an approximate weight of 50%. Components are:

Performance Criteria - as described in **Section V.B.3**, bidder's proposed matrix or plan for identifying sub-tasks and setting benchmarks that provide clarity and specificity in meeting the energy and capacity savings goals and other performance criteria.

Probability of Achieving or Exceeding Savings Goals – as described in **Section V.B.2**, bidder's proposal for achieving the energy and capacity savings goals.

Overall Strategic Approach and Design – as described in **Section V.B.5**, bidder's proposed Work Plan in total, with emphasis on its approach to attaining policy objectives while maintaining the statutory requirement of the EEU to cost-effectively achieve efficiency savings.

Administration and Implementation – as described in **Section V.B.4**, bidder's proposed plan for achieving savings in the core markets, overseeing the performance of implementers and subcontractors, and addressing emerging market strategies.

2. Organizational and Management Capability

These criteria will be given an approximate weight of 40%. The components are:

Demonstrated Competence/Experience

- Demonstrated experience of project team members to achieving energy efficiency savings similar to those identified in the core markets, including program management, planning, budgeting, design, and implementation.
- Demonstrated ability to provide general program administration and coordination including budget planning and tracking, financial management, contract management, and program reporting.
- Demonstrated experience to develop and maintain a data information management system.
- Demonstrated ability to facilitate and lead program development and planning involving multiple participants, including a demonstrated capacity to develop program designs and budgets and annual and multi-year program plans.

Management Structure – Capability of proposed team's management and organizational structure to perform the tasks and sub-tasks set forth in the Scope of Services.

3. Cost Proposal

These criteria will be given an approximate weight of 10%.

General Administrative Budget

Bidders are required to submit their estimate of General Administrative costs in each year of the

contract. General administrative tasks include the following:

- budgeting and financial management (**Sections III.C.1 and III.C.2**);
- contract management (**Section III.C.3**);
- data collection and reporting (**Section III.C.6**); and
- support for Resource Planning and Program Evaluation Activities (**Section III.D.17**).

The Board will treat the estimate of General Administration costs over the three-year period as a cap which cannot be exceeded by the bidder. However, to the extent that changes are made in the final contract negotiations that have a material effect on the bidder's proposed budget, the cap will be adjusted as necessary. Proposals will be evaluated based on their dollar caps for General Administration costs (e.g., bidders with lower General Administration costs over the three-year period will receive higher scores). Scoring will consider both the General Administration budget and the IT budget.

With respect to compensation, the successful bidder will be compensated for time, materials, and expenses based on invoices that are consistent with tasks approved in its Work Plan. The EEU will be held accountable for the dollar cap on General Administration costs (e.g., a not-to-exceed provision) in its contract. Thus, bidders are also required to provide information on expected hours and fully-loaded billing rates for key personnel on each General Administration task, and an estimated budget for each task.

IT Budget

Bidders are required to submit their estimate of IT costs in each year of the contract. Proposals will be evaluated based on the level of the costs compared with the services they will provide. Bidders' IT systems must be capable of the reporting and monitoring tasks detailed in **Section III** of this RFP.

Core Market Budget

Bidders are required to submit their estimate of expenses for the significant markets and programs in each year of the contract. Proposals will be evaluated based on how closely integrated the budgets are with the administration and implementation plan for the corresponding market, as well as the net societal benefits of achieving savings in the core market. (See **Section 5.D.3** for minimum budget detail.)

VII. STIPULATED ADMINISTRATIVE REQUIREMENTS

A. Bidder Instructions

1. Conformity to Instructions

Bidders must conform with all RFP instructions and conditions when responding to this RFP. The State of Vermont, at its discretion, may reject any nonconforming bidder proposal or response.

2. Proposal Responses to this RFP

Bidders desiring to participate in this RFP must submit proposal responses with the format and content as outlined.

3. Bidders not Submitting Proposals

Bidders provided a copy of this RFP and deciding not to offer a proposal to the State are asked to submit a negative reply to verify their receipt and consideration of this RFP.

4. Identifying RFP Communications

All proposals and other communications with the Board regarding this RFP must be submitted in writing in sealed envelopes or cartons clearly identifying the RFP title, the contact name and address of the bidder, and an indication of the envelope contents (e.g., "BID," "NEGATIVE RESPONSE," or "QUESTIONS"). Any material received that does not indicate the RFP-related content may be opened as general mail.

Proposals and Related Correspondence must be delivered to:

**Cynthia Muir, Business Manager
Vermont Public Service Board
Chittenden Bank Building
112 State Street, Drawer 20
Montpelier, VT 05620-2701**

5. Bidder Questions and State Replies

The Vermont Public Service Board will reply to any written bidder questions received no later than the close of business on May 13, 2005. Communications should be clearly identified in accordance with **Section VII.A.4**, above.

Bidder Questions should be addressed to the attention of:

**Cynthia Muir, Business Manager
Vermont Public Service Board
Chittenden Bank Building
112 State Street, Drawer 20
Montpelier, VT 05620-2701**

A copy of all pertinent questions and their replies will be distributed to any bidder who has submitted a written request to the above address and will be made available in the RFP Library and on the DPS website.

6. Acceptance of Stipulated Administrative Requirements

Bidder Proposals must include unequivocal statements accepting the stipulated administrative requirements of this RFP (**Section VII.B**) and must reflect compliance with such requirements. Any failure to do so, in the Board's sole judgment, may result in the Board's rejection of the proposal or portion thereof.

7. Deviating From RFP Specifications

The Board may reject any bidder's proposal, or portion thereof reflecting, in the Board's sole judgment, significant deviation from the specifications of this RFP. Bidders submitting proposals with any minor deviations must identify and fully justify such deviations for Board consideration.

8. Exclusion of Taxes from Prices

The State of Vermont is exempt from the payment of excise and sales taxes imposed by the Federal Government and/or the State. Bidders remain liable, however, for personal property taxes levied by municipalities upon any and all property leased to the State.

9. Proposal Copies

Any bidder responding to this RFP is required to submit one original and **TWELVE COPIES** of the proposal. Pages should be numbered for ease of reference, be cross-referenced to the corresponding RFP section, and be typed on 8 ½ x 11 inch paper. All copies of the proposal, other than the original, should be submitted copied on both sides of the paper as required by the State of Vermont. **Telefax and electronic submissions will not be accepted.**

10. Bidder Contacts

The proposal should provide the name, title, address, telephone number, FAX number and email of the bidder contact person(s) responsible for clarifying proposal content and for approving any agreement (or agreement amendment) with the State of Vermont.

11. Bidder References

Bidders must provide at least three customer references which reflect similar project experience. References should include current contact name, telephone number and location.

12. Validation of Proposal Offerings

The State considers proposals as binding commitments which the State may include by reference into any agreement with a bidder. Therefore, each bidder proposal must be validated by the signature of a person having such authority to commit the company, and the signer's authority in this regard must be authenticated by a signed statement to that effect by an appropriate high level company official.

13. Proposal Completeness

To be acceptable, proposals must contain all required information and statements in the format requested by this RFP. Bidder proposals must submit "no" or "not applicable" responses to any RFP question or information request when such a response is appropriate.

B. RFP Conditions

1. Amendment or Cancellation of RFP

The Board reserves the right to amend or cancel this RFP at any time if, in the Board's judgment, the best interest of the State requires such action.

2. Proposal Modifications

No additions or changes to any bidder's proposal will be allowed after the proposal due date unless such modification is specifically requested by the Board.

3. RFP Events and Timing

The timing and sequence of events resulting from this RFP will be determined by the Board. The schedule is planned as follows; bidder contacts will be notified of any amendment to this schedule during the RFP process.

April 27, 2005	RFP Released
June 15, 2005	Proposals Due
June 16, 2005	Public Bid Opening
June 30, 2005	Oral Presentations by Bidders to the Board (workshop format)
July 7, 2005	Public Comments Due
July 31, 2005	Board selects EEU Contractor

4. Proposal Expenses

The State of Vermont assumes no liability for payment of any expenses incurred by any bidder in responding to this RFP.

5. Acceptance or Rejection of Proposals

The Board reserves the right to accept or reject any or all proposals submitted for consideration in whole or in part, and to waive technical defects, irregularities or omissions if, in its sole judgment, the best interest of the State will be served.

6. Ownership of Proposals

All proposals submitted in response to this RFP shall become the sole property of the State of Vermont.

7. Oral Agreements and Arrangements

Any alleged oral agreement or arrangement made by a bidder with any State agency or employee will be disregarded in any State proposal evaluation or associated award.

8. Bidder Presentation of Supporting Evidence/Surety

Bidders must be prepared to provide any evidence of experience, performance ability, and/or financial surety that the State deems necessary to fully establish the performance capabilities represented in their proposals.

9. Bidder Demonstration of Proposed Services

Bidders may be asked to demonstrate specific proposed services or products including program components, software and hardware included in their responses. Any requested demonstration will be provided at a site approved by the State of Vermont and without cost to the State.

10. Bidder Misrepresentation or Default

The State reserves the right to reject the proposal of any bidder and void any award resulting from this RFP to a bidder who materially misrepresents any product or defaults on any State contract.

11. State Fiscal and Performance Requirements

Any product acquisition resulting from this RFP must be contingent upon contractual provision for cancellation of such acquisition, without penalty, if the applicable funds are not available for required payment or if the product fails to meet the minimum State criteria for acceptance.

12. Conformance of Awards with State Statutes

Any award resulting from this RFP must be in full conformance with State of Vermont statutory requirements.

13. Erroneous Awards

The State of Vermont reserves the right to correct inaccurate awards resulting from its clerical errors.

14. Public Records

Bidders should be aware that all materials associated with the procurement are subject to the terms of the Vermont Access to Public Records Act (1 V.S.A. Chapter 5, Subchapter 3) and all rules, regulations and interpretations resulting therefrom, including those from the Board, the office of the Attorney General of the State of Vermont, and the office of the Vermont Secretary of State, and any other applicable rules, regulations or judicial decisions regarding access to the records of government.

The Board does not favor the filing of proprietary information in this context. In particular, the Board does not anticipate that price or rate information will be deemed proprietary. If a bidder believes it necessary to include allegedly confidential material in a bid, **all such materials must be submitted in a separate sealed envelope and marked "CONFIDENTIAL."**

It will not be sufficient for bidders to merely state generally that the proposal is proprietary in nature and

not therefore subject to release to third parties. Those particular pages or sections which a bidder believes to be proprietary and of a trade secret nature must be specifically identified as such and must be separated from other sections or pages of their proposal. Convincing explanation and rationale sufficient to justify each exemption from release consistent with Section 316 of Title 1 of the Vermont Statutes Annotated must accompany the proposal. The rationale and explanation must be stated in terms of the prospective harm to the competitive position of the bidder that would result if the material were to be released and the reasons why the materials are legally exempt from release pursuant to the above cited statute. Bidders must understand and agree that final discretion to release or exempt any or all material so identified rests with the Board.

All bids submitted in response to this RFP will be open for public review, except as specifically noted immediately above. Any interested person or party may review those bids at the Board's office between the hours of 9:00 AM and 4:00 PM, beginning **June 13, 2005**, and if so inclined, may provide comments to the Board. Comments must be received no later than **June 24, 2005**, and must be no more than ten pages in length.

15. Offer of Gratuities

The Bidder warrants, represents and certifies that no elected or appointed official or employee of the State of Vermont has or will benefit financially or materially from this procurement. Any Contract and/or award arising from this RFP may be terminated by the State if it is determined that gratuities of any kind were either offered to, or received by, any of the aforementioned officials or employees from the bidder, the bidder's agent or the bidder's employees.

16. Business Registration

Bidders must acquire a valid business registration from the Vermont Secretary of State's office upon notification of a contract award.

17. Vermont Tax ID Number

A Vermont business account tax number is required for contractors if the contractor is a corporation or if the contractor, under whatever form of business, has employees who are subject to federal income tax withholding and who perform their services within the State of Vermont. Contracts cannot be executed without a Vermont Tax ID number.

18. Joint Ventures

Proposals that request joint ventures between bidders will not be accepted. The State will only enter a contract or award with a prime contractor who will be required to assume full responsibility for delivery of all products and services identified in this RFP. Proposals may identify subcontractors who are assigned to deliver particular products or services. If subcontractors are identified, the proposals must include agreements to provide the outlined products or services that are signed by people with the authority to make such a commitment.

19. Readiness of Offered Products

All products and services offered in bidder responses to this RFP, including computer software, hardware and program products, must be currently manufactured and available for general sale, lease or license on the date the proposal is submitted.

20. Inspection of Work Performed

During and after the commencement of this project, the State of Vermont, and its authorized representatives, shall be allowed access to inspect all contractor materials, documents, work papers, equipment and products, deliverables, or any such other items which pertain to the scope of work for this RFP and contract. This requirement also applies to any subcontractors engaged by the bidder.

21. Collusion

By responding, the bidders implicitly state that the proposal is not made in conjunction with any competing bidder submitting a separate response to this RFP and that it is in all respects fair and without collusion or fraud.

VIII. DPS WEBSITE

The Department of Public Service has established a section on its website that contains links to a variety of background documents and other materials that will assist bidders as they prepare their responses to this RFP. The exact link to the relevant information is:

http://www.state.vt.us/psd/Menu/Energy_Efficiency_and_Renewable_Energy.htm

The information on this website includes, among other items:

- The DPS's cost-effectiveness screening tool
- All of the DPS's EEU evaluation reports available as of 3/1/05
- The DPS's 2002 demand-side management technical potential study
- *The Power to Save: A Plan to Transform Vermont's Energy-Efficiency Markets*
- Efficiency Vermont's 2000, 2001, and 2002 Annual Reports
- All Program Implementation Procedures as of 3/1/05
- Efficiency Vermont KITT Database Reference Manual
- Efficiency Vermont KITT Software Internals Manual
- KITT Primer
- 2003 - 2005 Contract Administrator Reports
- List of EEU Advisory Committee members

IX. DEFINITION OF TERMS

The following definitions are provided to aid bidders in their understanding of common terms and acronyms used in this RFP and related documents.

ACE means "Account Correcting for Efficiency" established by the PSB's Order in Docket No. 5270

Act 250 means Vermont's Environmental Land Use and Development Law, 10 V.S.A., Chapter 151

BED means the City of Burlington Electric Department

CA means the Contract Administrator as described in this RFP and the MOU

Core Programs means the seven statewide energy efficiency programs outlined in **Section II**

DPS or **Department** means the Vermont Department of Public Service

DSM means demand-side management

DU means electric distribution utility

DUP means distributed utility planning

EEU means the energy efficiency utility described in this RFP and the MOU

Efficiency Vermont is the trade name under which the EEU operates

FA means the Fiscal Agent described in this RFP and the MOU

IRP means integrated resource plan

MCDU means a municipal or cooperative electric distribution utility

MOU means the Memorandum of Understanding, Docket 5980, included in **Appendix B**

PIP means Program Implementation Procedure

PSB or **Board** means the Vermont Public Service Board

State means the State of Vermont

System-wide Programs means all DSM programs, including but not limited to the Core Programs, except for those programs offered or required to be offered as a result of DUP

T&D means transmission and distribution

TAG means the Technical Advisory Group

The Plan refers to the DPS May 23, 1997, filing with the PSB, entitled *The Power to Save: A Plan to Transform Vermont's Energy-Efficiency Markets*

TRM means the Technical Reference Manual

WEC means the Washington Electric Cooperative, Inc.

X. APPENDICES

Note: All Appendices referred to herein are NOT included with the RFP mailing. Rather they have been made available on the Board's web site at <http://www.state.vt.us/psb/eeu.html>. Anyone who does not have access to the web and requires copies of these documents should contact the PSB Clerk's office at 802/828-2358.

Appendix A:

September 30, 1999, Board Order in Docket No. 5980 (without Attachments)

Appendix B:

Memorandum of Understanding Among Parties to Docket No. 5980

Appendix C:

- Item 1: October 31, 2002, Board Order in Docket No. 6741
- Item 2: January 30, 2004, Board Letter to current Efficiency Vermont Contractor
- Item 3: January 27, 2004, Memorandum Regarding Modifications to C&I Customer Credit Program
- Item 4: Attachment to January 27, 2004, Memorandum Regarding Modifications to C&I Customer Credit Program

Appendix D:

Current Coordination Agreement between Efficiency Vermont and the City of Burlington Electric Department

Appendix E:

State Contracting Rules: Bulletin 3.5

Appendix F:

Current Contract Between the Public Service Board and Vermont Energy Investment Corporation (the current EEU contractor)

Note: The contract is composed of a table of contents, and Attachments J through R. Attachments A through I applied only to the 2000 - 2002 period, and are not included as part of Appendix F to this RFP.

Appendix G:

- Item 1: Efficiency Vermont's 2003 Annual Plan
- Item 2: Efficiency Vermont's 2004 Annual Plan
- Item 3: Efficiency Vermont's 2005 Annual Plan

Appendix H:

- Item 1: Sample EEU Monthly Report

- Item 2: Sample EEU Quarterly Report
- Item 3: Efficiency Vermont's 2003 Annual Report
- Item 4: Template for List of Active and Completed Large Projects
- Item 5: Data Categories for Report with Information for Distributed Utility Planning Purposes

Appendix I:

Technical Reference Manual (current as of March 1, 2005)

Appendix J:

Calculation of Funds Available to the EEU Contractor

Appendix K:

Program for 2005 *Better Buildings by Design* Conference

Appendix L:

- Item 1: Bilateral Agreement Between City of Burlington Electric Department and the Department of Public Service approved by the Board in its September 30, 1999, Order in Docket No. 5980
- Item 2: September 22, 2000, Board Order in Docket No. 5980
- Item 3: December 2, 2002, Memorandum Regarding Public Service Board's Decision in re: BED's Annual Budgets for Delivery of Core Energy Efficiency Programs in Its Service Territory

Appendix M:

- Item 1: July 29, 2002, Agreement Between Washington Electric Cooperative, Inc. and the Vermont Department of Public Service
- Item 2: August 1, 2002, Memorandum Regarding Public Service Board's Decision in re: Report of the Department of Public Service to the Board on Vermont's Energy Efficiency Utility

Appendix N:

- Item 1: Current Coordination Agreement between Efficiency Vermont and Washington Electric Cooperative, Inc.
- Item 2: Amendment to Current Coordination Agreement between Efficiency Vermont and Washington Electric Cooperative, Inc.
- Item 3: Description of Services Related to Coordination Agreement between Efficiency Vermont and Washington Electric Cooperative, Inc.

Appendix O:

Independent Audit of Vermont Energy Efficiency Utility Energy and Capacity Savings for 2000 and 2001

Appendix P:

Committed Projects as of March 9, 2005